July 1959 75¢

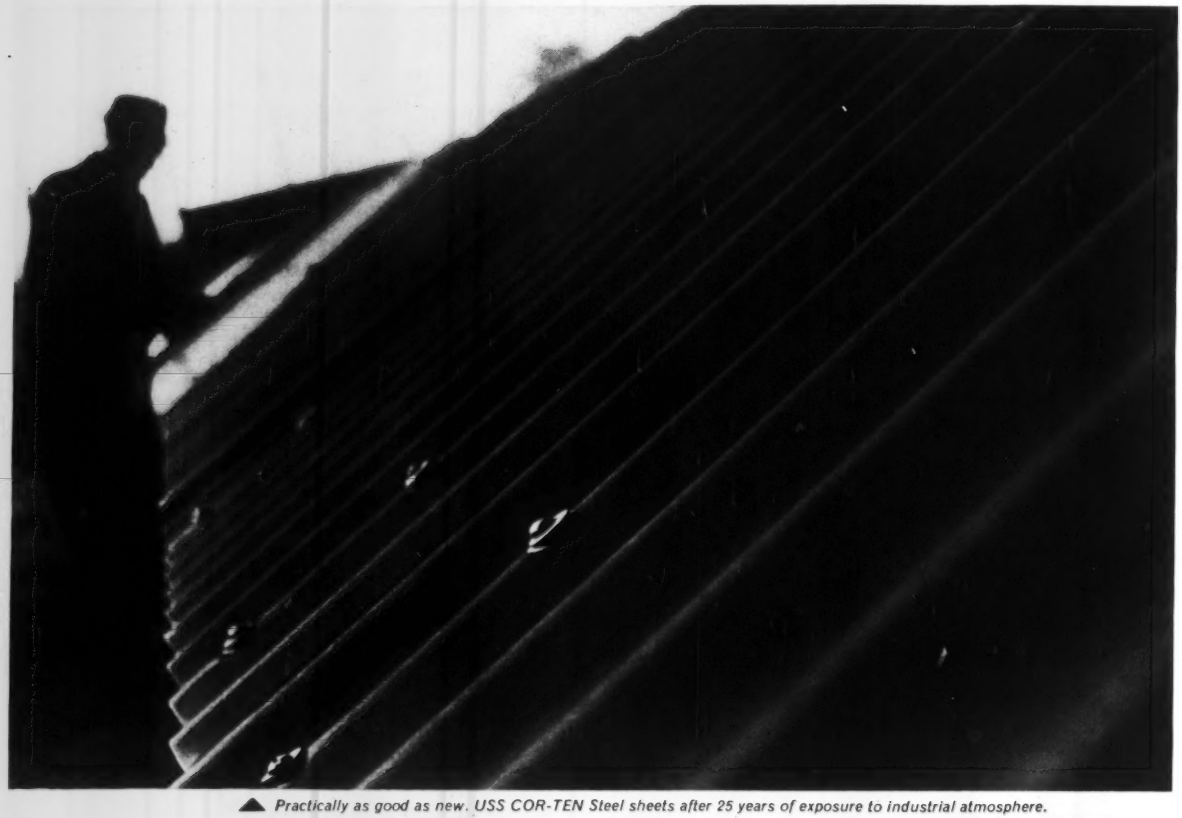
DUN'S REVIEW and Modern Industry

TOP MANAGEMENT TIGHTENS CONTROLS

A Presidents' Panel Report:

Industry's Leaders Face the Labor Challenge

A DUN & BRADSTREET PUBLICATION



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DUN'S REVIEW and Modern Industry

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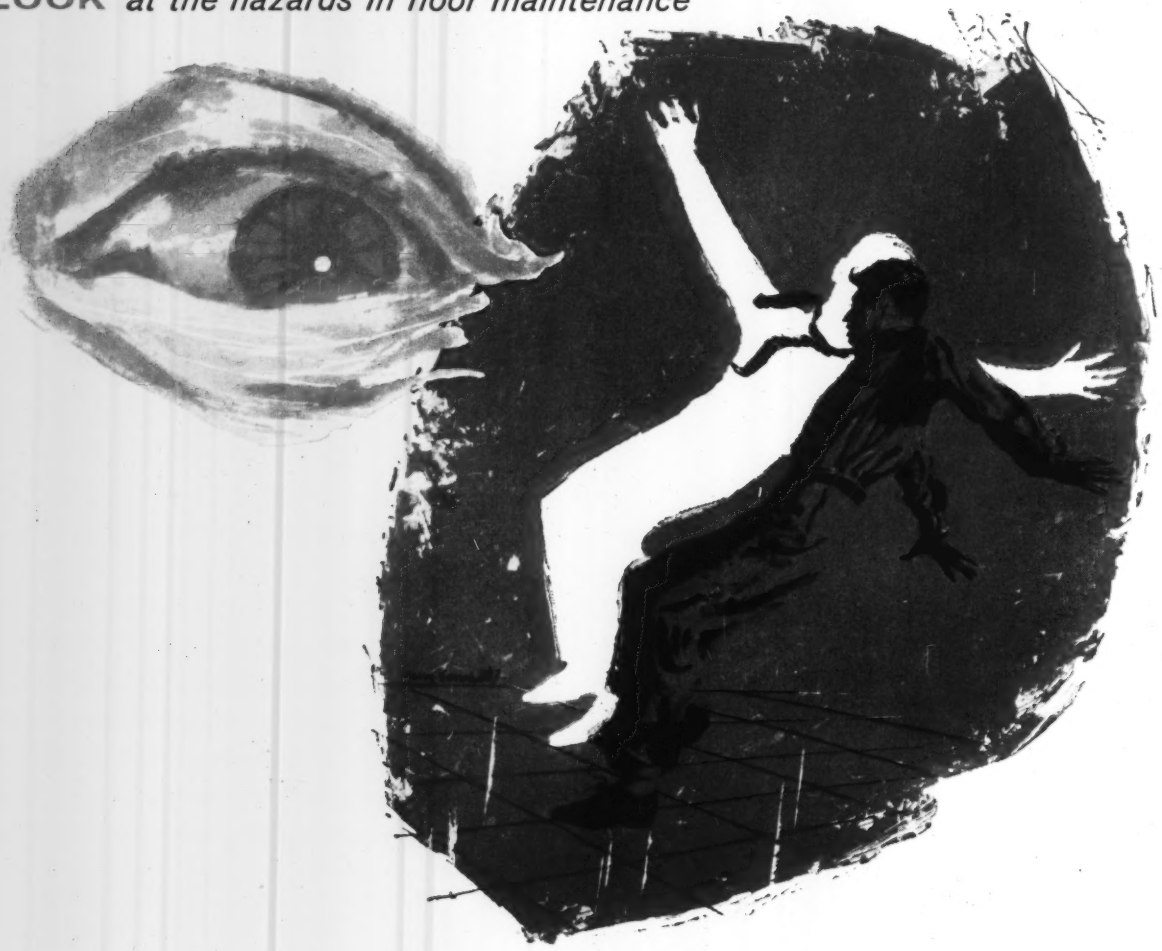
LOOK *at the hazards in floor maintenance*



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Editorial

Two Streets in One Direction

THE DIFFERENCE between Wall Street and Main Street is not size or location, but symbolic meaning. In the words of a satirist much quoted since Black Friday, 1929, Wall Street "begins at a graveyard and ends at a river." But although it is only a half-mile long, Wall Street actually stretches across the nation, providing incentive and energy for makers and sellers of goods along Main Street and every side street in 50,000 communities.

In our industrial and distributive system, Wall Street is the *means* and Main Street the *end*, and neither can exist without the other. If Wall Street stands for the risk capital which keeps the gears turning throughout America, then Main Street stands for the men and women whose decisions keep the lights burning late in the brokers' offices. The nerve center of our economy is sensitive to the consumer's every whim or mood, and the profit margins rise and fall with his enthusiasm or reticence in the market place. The tempo of the cash register's jingle on Main Street influences the chattering stock market ticker. Wall Street and Main Street do not parallel or intersect, and yet their residents are neither strangers nor antagonists. They share a common emotional attitude toward the profit or loss on their investments.

Credit, which is money on the move, travels almost with the speed of light from bankers, insurance companies, and suppliers, giving support to the 4.5 million enterprises in the United States. There is a constant return of invested savings flowing into Wall Street and back into the channels of industry and trade. The thrift dollar, the investment dollar, and the credit dollar chase each other in a time cycle that provides facilities and services for 175 million people.

The stock exchange is more than a convenience for traders in securities. It is a catalyst for the swift conversion of goods and services into cash and credit, and it works to the advantage of buyer and seller alike. The stock exchanges—Big Board, middle board, "over the counter" markets, and grain pits—are a storage house of power for our commercial life. All these arenas of business action deal in "futures" and reflect tomorrow's prosperity and progress.

Just as the stereotyped image of big business as the foe of small business fades with a close-up look, so the ogre of speculative Wall Street melts in the light of appraisal. Wall Street is a device to service business, and any instrument of power is no better than the conscience of the man at the controls. Wall Street is the servant of Main Street, not its master. Usually it serves these interests well. But the servant betrays the master when the hit-and-miss gamble becomes more attractive than the selective risk. It is readily apparent, however, that the Wall Street investor and the Main Street manufacturer and merchant have one dominant interest in common: the profitable management of business.

The Editors

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Here are two important new developments in Ryerson service on Reynolds aluminum. First, stocks are now available from our plants coast to coast. Second, a much broader range of sizes and types are now on hand—and aluminum building products have also been added. Here's what this expanded service offers you:

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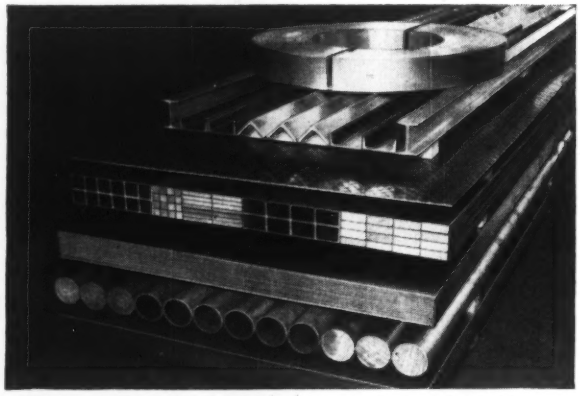

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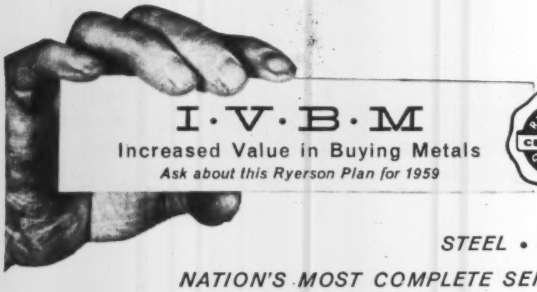

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The Trend of BUSINESS

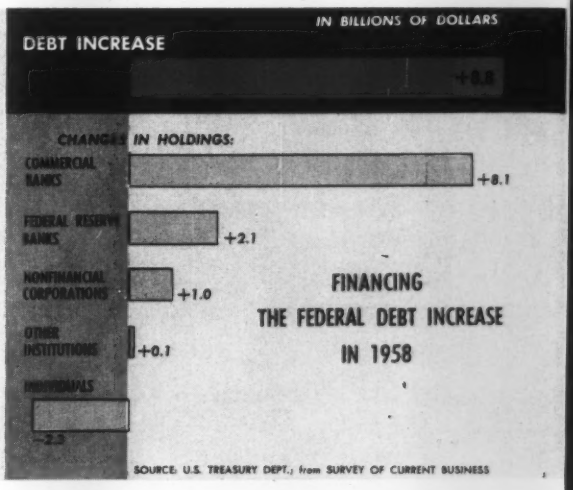
PRICES: *Creeping inflation will resume shortly as most of the Federal debt is financed through commercial banks.*

OUTPUT: *Peak levels in industrial production in the fourth quarter will mean a record for 1959 as a whole.*

SALES: *The dollar volume of retail trade will hover around record levels for the rest of the year.*

GROSS NATIONAL PRODUCT: *$498.4 billion rate is foreseen for second quarter 1960 (page 6).*

FAILURES: *May casualties fell 12 per cent from April to the lowest level so far this year (page 15).*



Fall Prospects Increasingly Bright

GAINS in personal income, spending, and output have helped over-all business activity maintain a steady rise in recent weeks, and prospects are that, following a temporary interruption this summer, more new records will be set in the fall.

Physical output will move up to new high ground in the fall, and 1959 will be a record year.

Whether or not there is a lengthy steel strike, the usual seasonal dip in industrial production will occur in July, but the recent peaks will be matched or exceeded in the final quarter of the year. This will be the result of increased output of household durables, machinery, textiles, and apparel, as well as steel and autos.

Spurring the rise in industrial output will be increased spending by business men and consumers. Encouraged by steady gains in consumer outlays, business men will continue to add cautiously to their inventories. Except for steel and autos, stocks in most lines and at all levels are currently low in relation to sales.

Capital spending is likely to show more substantial gains this year than previously anticipated.

Business men also will revise upwards their plans for outlays for new plants and equipment, although no significant expansion is probable until sometime during the first half of 1960. Wider profit margins, plus high sales, will encourage capital spending.

Further increases in jobs and personal income will most likely mean more gains for retailers.

In spite of the summer lull in consumer buying, monthly records probably will be set in July and August and into the fall. Although retail sales of apparel, most other soft goods, and furniture will continue to show appreciable year-to-year gains, more noticeable gains will appear in big-ticket durables from early fall through the end of the year, and consumer buying on credit will mount.

Consumers will be encouraged by favorable reports on employment and unemployment. The number of jobholders will be close to record monthly levels as higher output schedules spur manufacturers to add to their payrolls, rather than lengthen the workweek of present workers. Unemployment as a percentage of the labor force, after adjustment for seasonal differences, will drift gradually downward for the rest of the year.

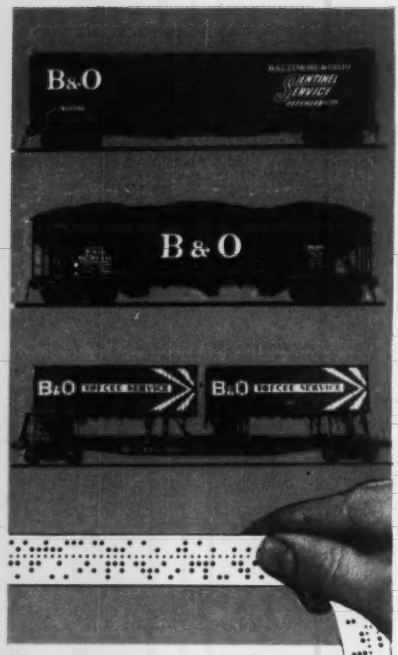
New record earnings by factory workers will help personal income advance steadily.

Gains in earnings will be especially marked in the hard goods industries. This will account in good part for further increases in personal income expected for the rest of the year. Consumers thus will be able to spend more and save more, but year-to-year increases in spending will be greater than in savings.

The high level of new housing starts has exceeded expectations so far this year, but many prospective home buyers may be discouraged in the coming months by more difficult mortgage terms. Monthly totals are likely to drift gradually lower for the rest of the year.

As business, consumer, and Government spending move up, price levels will edge higher.

Following several months of relative stability, the consumer price index will inch up steadily through the last half of the year. An increase in the money supply resulting from financing the Federal debt through commercial banks will be a stimulant to inflation. The extent of price increases also will depend largely on the outcome of the



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wage negotiations in the steel industry.

Continued increases in consumer spending for non-essentials has contributed much to the steady advance of business in recent weeks. Memories of the recession have faded in the minds of most and have been replaced by confidence that general business activity will climb steadily in the coming months. However, consumers may be a little skeptical that such good times could go on indefinitely. This might induce greater caution in consumer spending.

Although at press time the outcome of the contract negotiations in the steel industry was unknown, it's safe to say that a lengthy strike would hurt many industries dependent on steel later in the summer.

Even if there is no strike, output will fall to somewhere around 65 per cent of rated capacity in the third quarter from the current 90 per cent or better rate. Fourth quarter operations probably will average about 75 per cent as new orders pick up.

High output and sales lead some to expect a 6-million-car year.

Second quarter output of cars and trucks was at the highest level since 1955 and was the fourth-best second quarter in history. This, along with steady increases in sales, causes some industry officials to think that 1959 could be a 6-million-car year. However, despite the fact that output schedules for June and July were revised upwards, production recently fell a little below expectations.

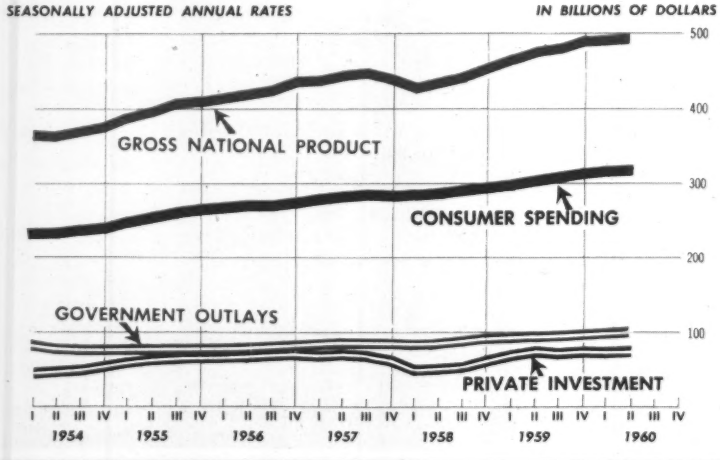
Of course, the rate of output in the coming months depends on the level of consumer purchases. Some prospective auto buyers may be discouraged by more difficult credit terms, and others may postpone their buying until new small, compact models have been introduced by domestic producers.

continued on page 8

Looking Four Quarters Ahead

Quarters	Consumer spending	Government outlays	Private investment	Gross national product
1958 III	291.5	92.0	56.2	439.8
1958 IV	295.9	95.2	62.0	453.0
1959 I	300.5	96.6	69.9	467.0
1959 II	306.7	97.2	74.1	478.0
1959 III	309.1	98.1	73.5	480.7
1959 IV	315.1	99.4	76.5	491.0
1960 I	318.0	100.5	76.4	494.9
1960 II	320.4	101.3	76.7	498.4

Figures through the first quarter of 1959 are seasonally adjusted annual rates, in billions of dollars, as reported by the National Income Division, Department of Commerce. Figures for the second quarter of 1959 and later are estimates prepared by Edwin B. George and Robert J. Landry of the Business Economics Department, DUN & BRADSTREET, INC.



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COMMERCIAL CREDIT COMPANY subsidiaries advance over one billion dollars a year to manufacturers and wholesalers to supplement cash working capital. Combined volume of finance subsidiaries exceeds three billion dollars a year. TOTAL ASSETS OVER ONE AND ONE-HALF BILLION DOLLARS.

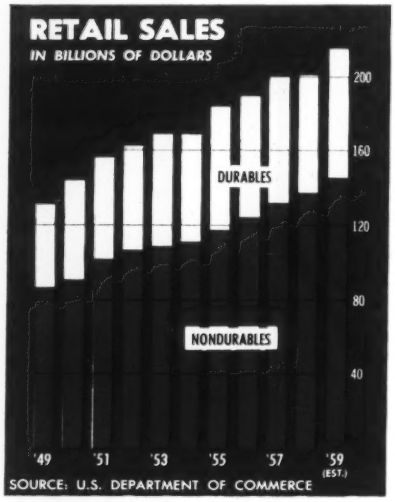
Although gains in output of durable goods have been more significant, production of soft goods has remained well above a year ago. This has been the case especially in textiles and apparel.

Record levels in manufacturers' new orders were achieved in the spring and will gain more strength from higher orders for durable goods during the rest of the year. Marked year-to-year gains in backlogs will continue.

Gaining confidence from rises in new orders and stocks, business men will accelerate their outlay plans for new plants and equipment. The recent joint survey of the Securities & Exchange Commission and the U.S. Department of Commerce showed that capital spending is now estimated to reach $32.6 billion for 1959 as a whole, or a gain of 7 per cent over 1958. An earlier survey had indicated a capital spending total of $32.0 billion for the current year.

Sales records will be set by wholesalers and retailers.

Relatively low stocks in the hands of many retailers will continue to spark substantial rises in wholesale orders. This will be especially true in appliances.



ANOTHER RECORD *in retail sales will be set in 1959, with year-to-year gains in durables accounting for much of the rise.*

Attracted by new styles, buyers are now boosting their orders for apparel well over year-ago totals, and continued gains are likely. Textile mills are doing the best business since

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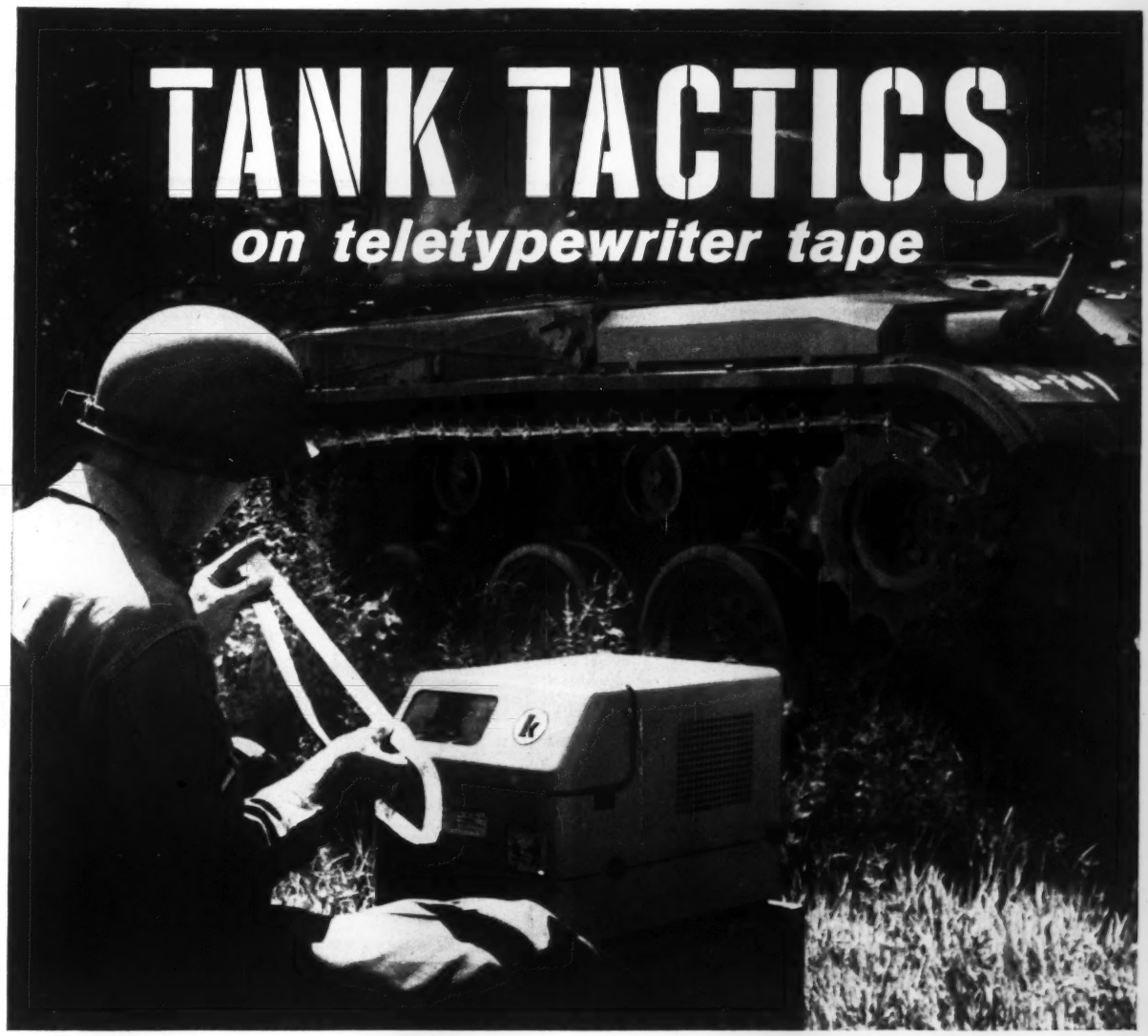

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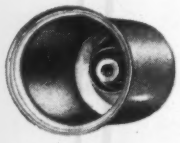

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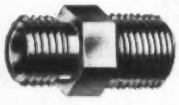

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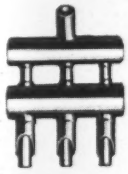
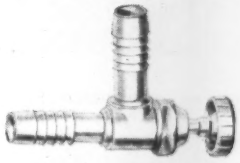
SAND CASTINGS

We specialize in the production of pressure-tight red brass castings. We utilize both metal match plate and wood patterns. Facilities include tool room and pattern shop, electric melting furnaces, high capacity core room and both bench and floor molding equipment to handle wide range of sizes.



FORMED COPPER TUBE

Mueller Brass Co. has modern facilities for forming seamless copper tube into a multitude of shapes. Forming methods used include bending, spinning, expanding or swedging, upsetting, flaring, flattening, beading and grooving, drilling and piercing, machining and joining. Formed copper tube coils are also available as single, double, spiral and serpentine shapes.



PLASTIC INJECTION MOLDING

Injection molding of plastic parts is still another process offered by the Mueller Brass Co. Parts are molded from such plastics as—nylon, polyethylenes, polyvinyl chloride, styrenes, linear acetal, chlorinated polyether, polycarbonates or polypropylene, dependent on part application.

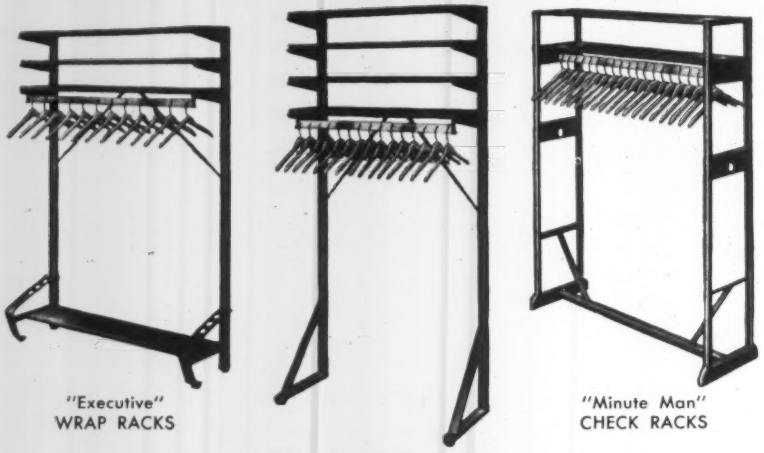
MAN FROM MUELLER BRASS CO.

Since only Mueller Brass Co. can produce your part by all these methods, only the Man From Mueller Brass Co. can give sound advice on the one best method of production. Over 40 years of research, engineering, manufacturing and marketing experience stands behind him. When you are specifying and purchasing fabricated metal parts, call in the MAN FROM MUELLER BRASS CO.

PORT HURON 38, MICHIGAN

ideal for every garment hanging need

BORROUGHS
GARMENT RACKS



"Executive" WRAP RACKS

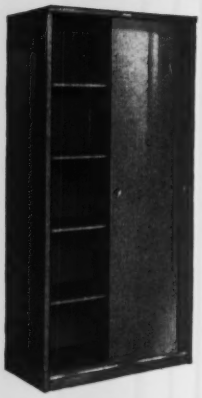
"Century" CHECK RACKS

"Minute Man" CHECK RACKS

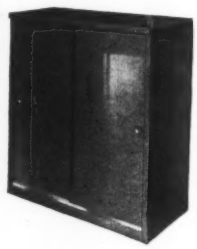
Do you intend to order new garment racks soon? Take no further action until you get Borroughs illustrated price list. It pictures, describes and prices the finest line of garment racks ever produced by Borroughs — a line that has everything!

ideal for every type of office

BORROUGHS
SLIDING-DOOR CABINETS



Whether you want a desk-high 29" cabinet — or a counter-high 42" model — or a big roomy 78" cabinet — Borroughs can supply you with sliding-door cabinets of excellent quality and attractive appearance, very modestly priced. The 29" and 42" models offer a choice of sliding steel or glass doors, and the 78" unit has sliding steel doors. All models have sliding shelves adjustable without bolting. And you have a choice of 4 modern colors — Spring Green, Dark Green, Gray or Fall Tan.



send for literature

24-page price list illustrates, describes and prices Borroughs' wide line of bookcases and supply cabinets.

BORROUGHS MANUFACTURING COMPANY OF KALAMAZOO

A SUBSIDIARY OF THE AMERICAN METAL PRODUCTS COMPANY OF DETROIT

3064 NORTH BURDICK ST. amp® KALAMAZOO, MICHIGAN

1950, especially in industrial fabrics and man-made fibers.

In retailing, as in wholesaling, marked gains in durable goods will be responsible in good part for record sales levels. Total dollar volume for 1959 will be at a record level of about $215 billion, or 7 per cent over 1958. Following the usual seasonal dip in August, volume will expand substantially in the fall.

Unemployment is likely to drop to 4 per cent by year's end.

One of the most encouraging recent developments in the business picture has been the more than seasonal decline in unemployment during the spring months. In mid-May, the number of unemployed as a per cent of the labor force fell to 4.9 per cent, after adjustment for seasonal factors. This is a sharp drop from the recession high of 7.6 hit in August 1958. The rate will most likely drift down to somewhere around 4 per cent by the end of the year, as business men build up their payrolls to accommodate higher levels of activity.

The one weak spot in over-all construction has been industrial building, a reflection of cutbacks in business expansion set in 1957–1958. Increases here and in commercial building, especially shopping centers, and in public outlays for dams, hospitals, and schools will boost the over-all dollar value of outlays to a record level in 1959. Beside a gradual decrease in home building, there may be some slackening in public outlays for highways before the end of the year.

A MODERATE DIP *in exports this year will somewhat narrow the excess of U.S. exports over imports.*

Prices will resume an upward trend in the last half of this year.

Although prices will move within a narrow range during the last half of the year, a definite trend upward will prevail. This renewal of creeping inflation will result primarily from higher costs on food, services, housing, and transportation.

The Federal Reserve Board will keep a watchful eye on the money supply in an attempt to thwart inflation. As business grows, more money will be needed for expansion, but the Federal Reserve will make bank lending more difficult. It will continue policy of encouraging an increase in the turnover of existing money and heavier member bank borrowing, rather than pumping more money into the economy. If the Federal Reserve feels that the credit policy is too stringent and actually hindering growth, they will relieve the situation by easing up on credit terms.

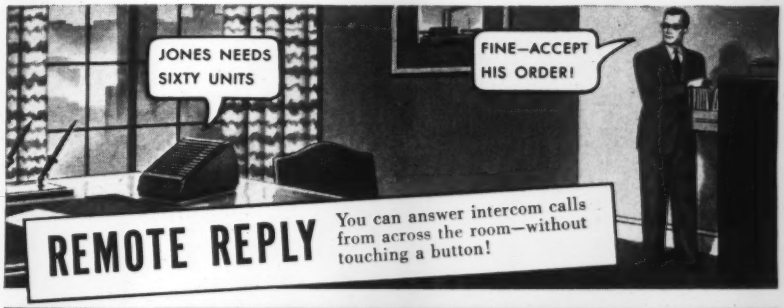
This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., *by John W. Riday.*

Coming Next Month

"Focus on Finance"

by Gerald M. Loeb

With the August issue, DUN'S REVIEW inaugurates a new and exclusive bimonthly column on corporate financial problems and policies by Gerald M. Loeb, widely known as one of the most brilliant and versatile men on Wall Street. Mr. Loeb, who is a partner in E. F. Hutton & Co., brings to his new column the insight of three decades of experience in the world of finance, the skill of a professional writer (his book, *The Battle for Investment Survival*, is currently in its fifth printing), and an intimate knowledge of current trends in corporate finance. Watch for "Focus on Finance," beginning next month.



REMOTE REPLY You can answer intercom calls from across the room—without touching a button!

COMPLETE PRIVACY No one can "listen in" without your knowledge. Chime and signal light announce *every* call.

...only Executone combines BOTH!

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SAVE TIME—get more work done!

Thanks to Executone's "Remote Reply," employees can now answer calls without interrupting their work. You get *instant* response without loss of working time. You eliminate waiting and costly "call backs" when phones are busy. Roving employees are located quicker. You give instructions, get information without delay, yet you have "privacy protection" at all times. Work flows smoothly. Every hour becomes more productive! Executone soon pays for itself in many ways. Ask for full details. No obligation.

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☐ LOCATING PERSONNEL

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Title.....
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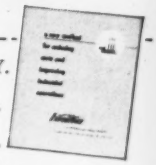
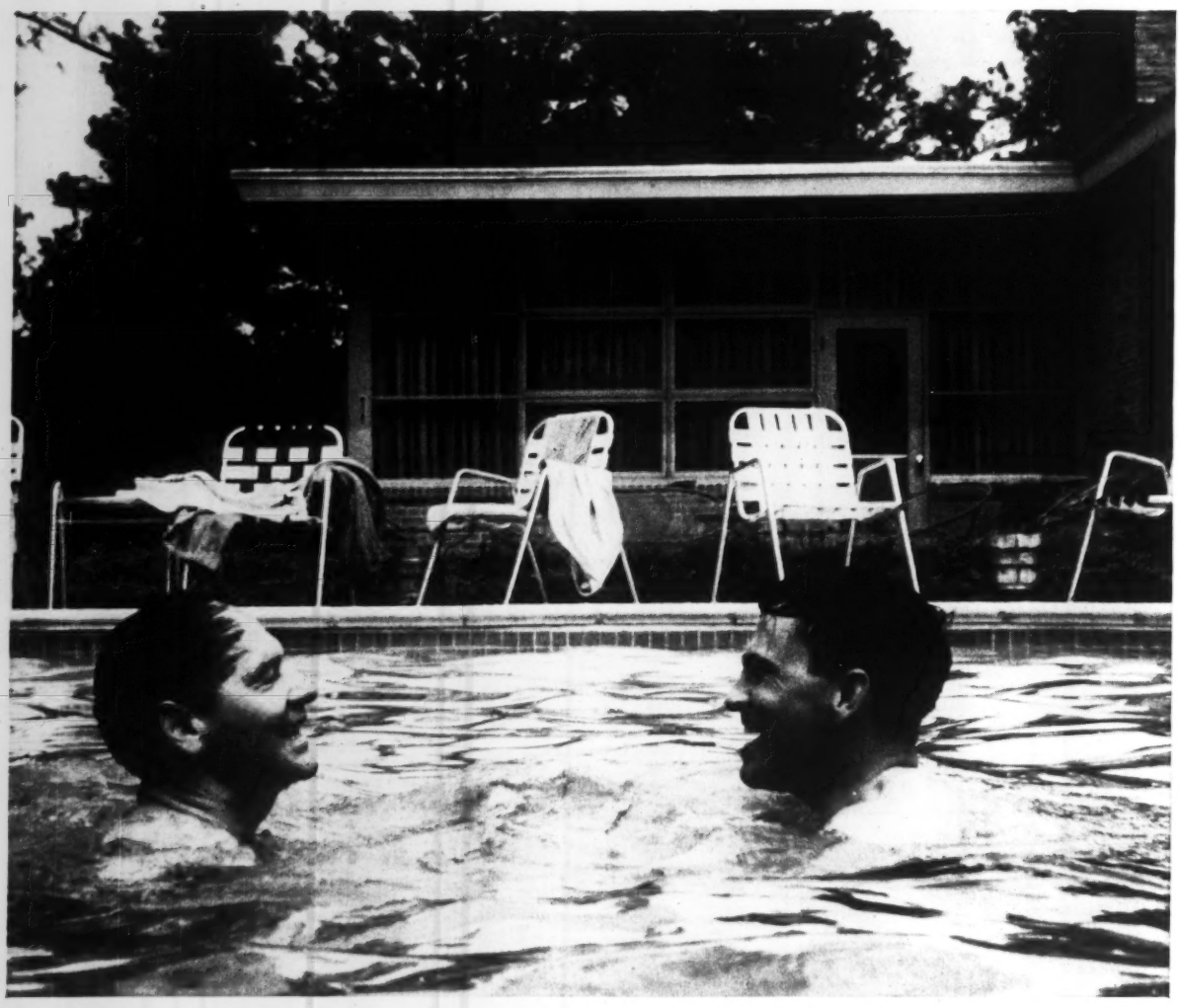
Address.....City.....



In Canada—331 Bartlett Ave., Toronto



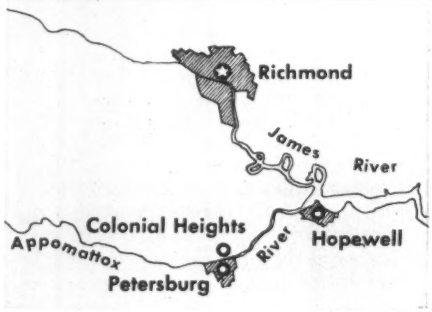
This climate cuts our plant costs three ways!

The mild, Top-of-the-South climate in the Richmond-Petersburg-Hopewell-Colonial Heights triangle works for you in many ways. It cuts construction, maintenance and heating costs. It saves weather shutdowns. It means pleasant, low cost living for management and staff.

It also adds extra dependability to your electric power from Vepco's growing network . . . with 1,700,000 kilowatts capability now, and building to more than 2,000,000 by 1961.

For confidential site finding help in this strategic transportation center, write or telephone Vepco today.

VIRGINIA'S
Richmond-Petersburg-Hopewell Triangle



50 YEARS 1909 1959

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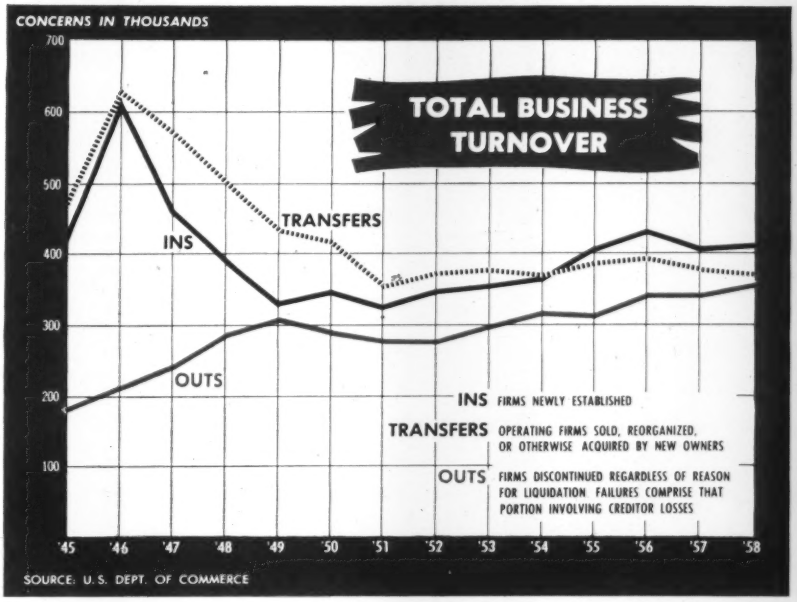
Serving the Top-of-the-South . . . in Virginia, West Virginia and North Carolina

Clark P. Spellman, Mgr., Area Development, Electric Bldg., Richmond 9, Va., MI 9-1411

Business Failures



IN THE VIGOROUS *churning of our economy, about one-fourth of the business population turns over each year. Of a total of 4.5 million operating concerns in 1958, 411,000 businesses were newly established, 356,000 were discontinued, and 372,000 going concerns were transferred.*

Casualties Take Sharp Drop

IN THE sharpest monthly decline of the post-recession period, business failures dropped 12 per cent in May to 1,135, the lightest toll this year. Casualties were 15 per cent fewer than last May and slightly below the same month in 1957.

Concerns failed at a rate of 48 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. This was the lowest rate for any month in almost two years and the least severe for any May since 1955.

Downturns in all size groups plunged dollar liabilities to $50.9 million, the lowest volume since October. Very small casualties (less than $5,000) and large ones (in excess of $100,000) showed the most noticeable month-to-month declines.

Construction mortality in the general building category rose slightly from April. Meanwhile, wholesale casualties fell to the lowest mark in almost two years: only half as many food and building materials dealers succumbed as in the previous month. Among retailers, failures dipped slightly in most lines, but the apparel store total dropped considerably. In manufacturing, nearly all industries held close to April levels, the only marked decrease being registered in the textile and apparel field, which had fewer casualties than in any month since 1951.

continued on page 16

THE FAILURE RECORD

	May 1959	Apr. 1959	May 1958	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	50.7	55.6	58.1	−13
Adjusted, seasonally	48.3	52.0	55.3	−13
NUMBER OF FAILURES	1,135	1,292	1,341	−15
NUMBER BY SIZE OF DEBT				
Under $5,000	139	203	152	− 9
$5,000–$25,000	554	584	660	−16
$25,000–$100,000	343	366	423	−19
Over $100,000	99	139	106	− 7
NUMBER BY INDUSTRY GROUPS				
Manufacturing	199	202	242	−18
Wholesale trade	93	132	125	−26
Retail trade	567	671	659	−14
Construction	172	166	207	−17
Commercial service	104	121	108	− 4
LIABILITIES (*in thousands*)				
CURRENT	$50,917	$71,907	$56,246	− 9
TOTAL	51,004	72,659	57,418	−11

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Percentage change, May 1959 from May 1958.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

time your most valuable raw material

save it with a Lathem

TIME RECORDER

Accurate time control can be the greatest single factor in a competive market. A Lathem Time Recorder can:

STOP TIME LEAKS — Tardiness can cost you hundreds of dollars yearly!

ELIMINATE DISPUTES — Each man, his own time keeper.

PROVIDE BETTER RECORDS — Accurately printed Lathem time cards are the *ideal* records... especially in dealings under the Wage-hour laws.

New, larger, easier to read face... two-color registration from an automatic ribbon-shift... electric drive... phosphor bronze type-wheels engraved and guaranteed for life. Many other features make LATHEM the finest Time Recorder in its field.

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GENTLEMEN:
I'd like to hear more about the fabulous NEW Lathem Time Recorder.

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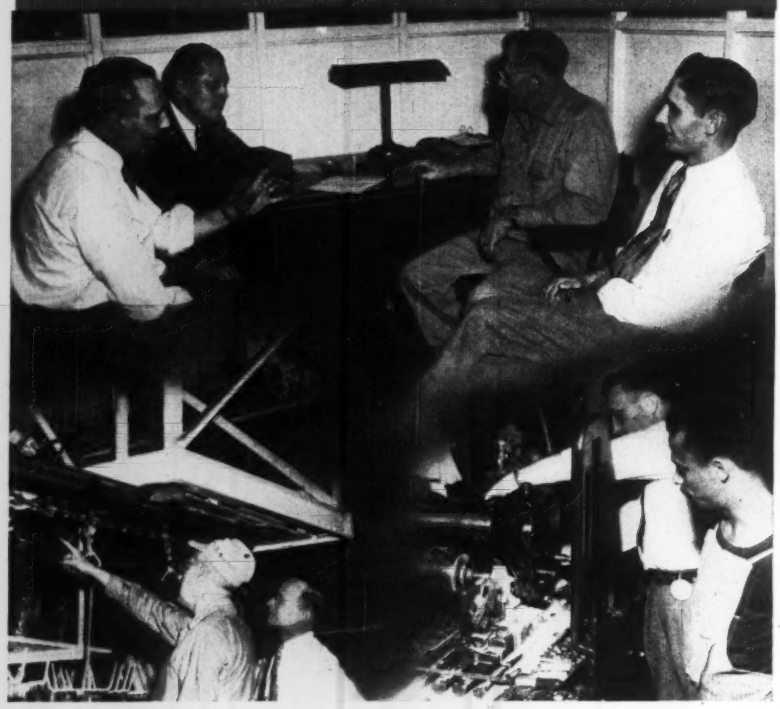
the house that SERVICE built



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Mortality ranged below a year ago in all types of operation, falling off steeply (26 per cent) in wholesaling and changing least in commercial service, where a 4 per cent dip was noted. Some manufacturing industries enjoyed remarkable improvement. Only one-fourth as many iron and steel concerns and only half as many machinery, textile, and apparel manufacturers failed. Retail casualties came close to last year's level in most trades, although noticeable declines occurred in apparel, furniture, appliances, and drugs.

In six of nine major geographic regions, failures began moving down between April and May. The contrasting upturns took place in the South Central and Pacific states. Tolls declined from a year ago in all regions except the Mountain states. Casualties fell sharply in the large cities, with Chicago, Detroit, Philadelphia, Baltimore, and Los Angeles reporting the principal declines from year-earlier levels.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total, January–May		Liabilities in million$, January–May	
	1959	1958	1959	1958
MINING, MANUFACTURING	1,033	1,207	84.4	120.0
Mining—coal, oil, misc.	34	37	3.8	5.9
Food and kindred products	80	86	6.4	6.7
Textile products, apparel	169	234	7.7	15.8
Lumber, lumber products	214	218	10.7	16.7
Paper, printing, publishing	74	74	3.4	3.9
Chemicals, allied products	27	27	2.3	1.3
Leather, leather products	35	54	2.9	7.9
Stone, clay, glass products	25	27	2.4	2.7
Iron, steel, products	51	77	3.1	7.2
Machinery	105	131	20.1	14.2
Transportation equipment	40	35	3.7	13.1
Miscellaneous	179	207	17.9	24.6
WHOLESALE TRADE	587	647	39.9	32.8
Food and farm products	132	141	13.7	7.0
Apparel	19	40	0.9	1.9
Drygoods	15	23	0.4	0.7
Lumber, bldg. mats., hdwre	57	86	4.5	6.1
Chemicals and drugs	22	18	0.5	0.3
Motor vehicles, equipment	33	30	2.3	0.6
Miscellaneous	309	309	17.6	16.2
RETAIL TRADE	3,087	3,484	118.3	109.3
Food and liquor	506	495	14.5	11.5
General merchandise	147	135	12.0	5.2
Apparel and accessories	508	588	24.9	18.0
Furniture, furnishings	370	527	16.5	21.9
Lumber, bldg. mats., hdwre	192	226	6.2	7.6
Automotive group	420	494	11.0	19.3
Eating, drinking places	579	625	17.0	15.8
Drug stores	48	67	1.2	1.5
Miscellaneous	317	327	15.0	8.5
CONSTRUCTION	875	971	47.7	50.9
General bldg. contractors	309	400	24.2	28.5
Building subcontractors	492	519	17.9	19.2
Other contractors	74	52	5.5	3.3
COMMERCIAL SERVICE	542	502	29.7	28.5
TOTAL UNITED STATES	6,124	6,811	320.0	341.5

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.

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with this "L" work station from ASE

In the same floor area as an ordinary desk and chair, you can have additional work space and storage with this ASE "L" work station. This double exposure demonstrates the ease and convenience of the L-unit. It divides work into two areas—puts files, reports, reference material at fingertips. All you do is swing from one side to the other, no reaching, no lost motion.

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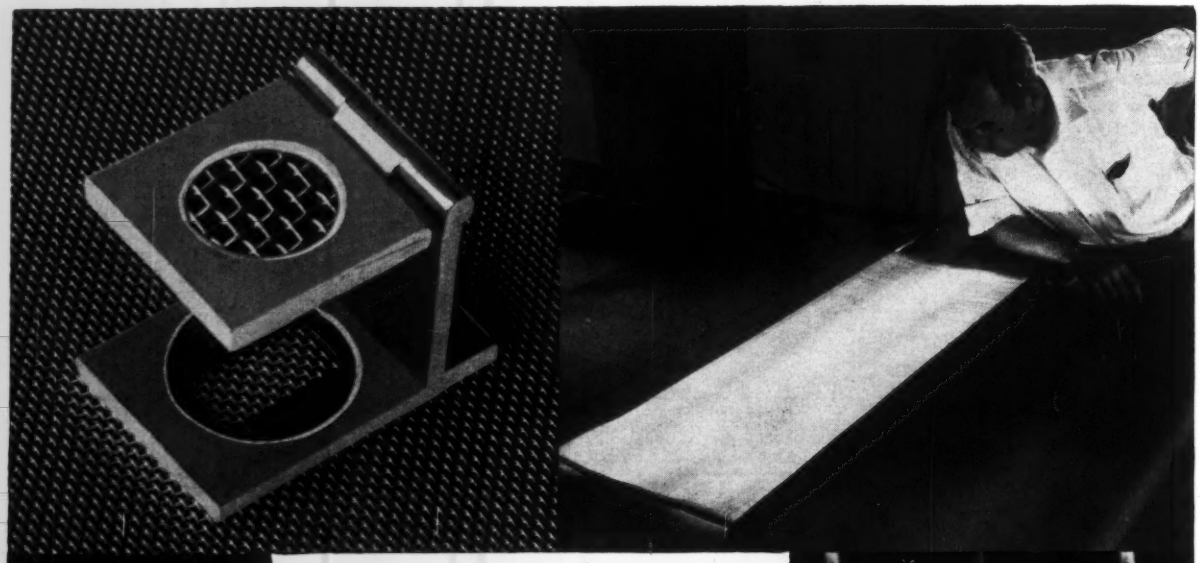
Desks • Chairs • L-units • Credenzas • Tables
Bookcases • Filing Cabinets • Storage Cabinets



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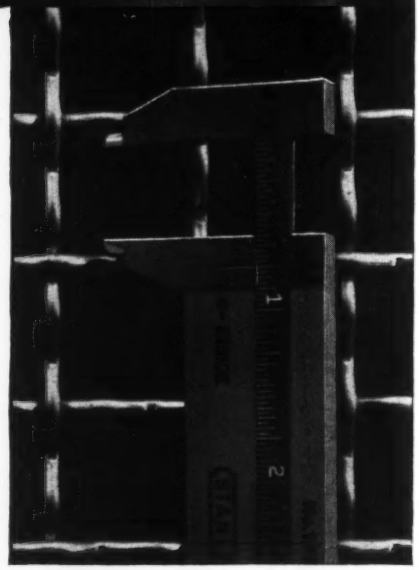

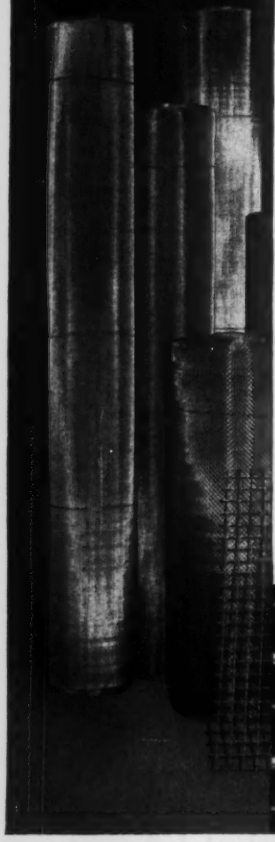

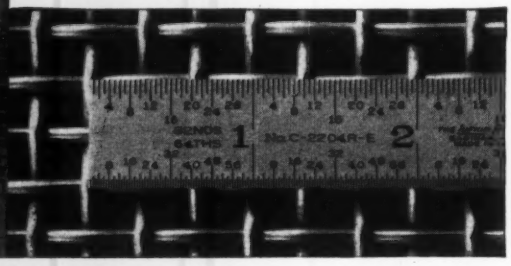

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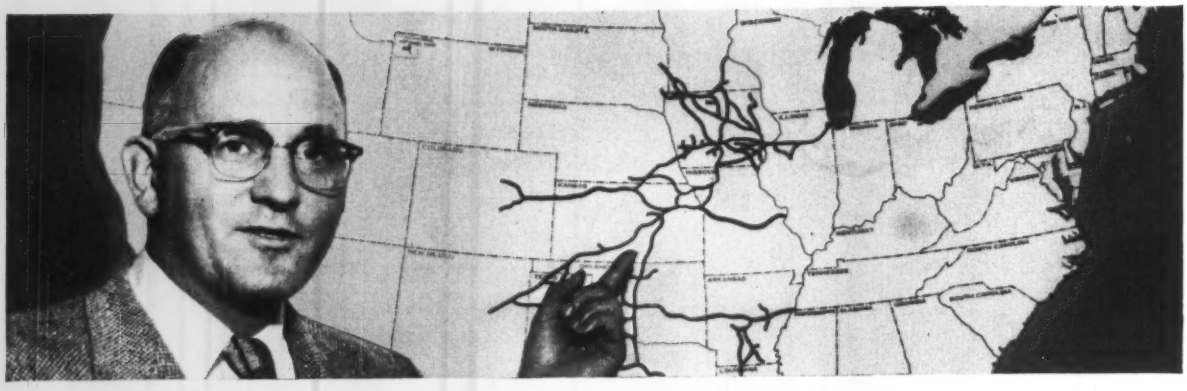

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Industrial Department 108

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TRANS-O-MATIC RAMP bridges the gap between dock and carrier; speeds loading/unloading 25% to 50%. Fully automatic. Fits any dock. Easily, inexpensively installed. 6′x8′ platform; 20,000 lbs., roll-over or cross-over capacity. Always dock-level-locked when not in use.

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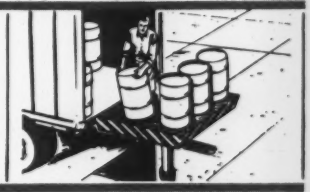
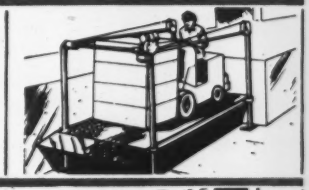


3 ELECTRO-LOADER®

ELECTRO-LOADER can be used anywhere, indoors or out, for platform lifting service. No ground excavation. Easily relocated. Swivel casters for complete portability. Three standard models: 6′x8½′ — 6,000 lbs.; 7′x8½′ — 5,500 lbs.; 7′x10½′ — 5,000 lbs. All with 5½′ rise.



4 RAMP ELIMINATOR

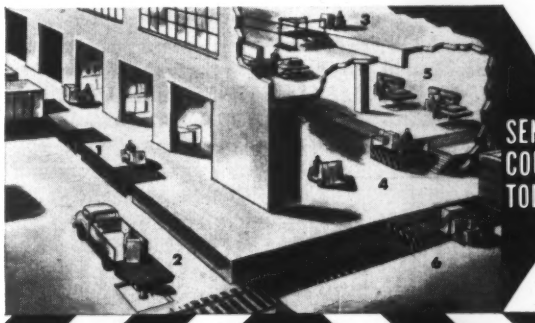
RAMP ELIMINATORS move men and materials across split-level plant floors; eliminate space-wasting inclines. Lifting heights, platform sizes to meet any floor layout or plant traffic requirement. Pushbutton or lever controls. Automatic up-leveling control available.

5 MACHINE FEED TABLE

MACHINE FEED TABLES—either permanently installed oil-hydraulic platforms or portable scissor-arm table lifts. Keep stockpiles always level with machine bed; avoids stooping, fatigue-producing motions. Platform sizes, capacities, controls to meet production-increasing requirements.

6 BRIDGE LIFT

BRIDGE LIFT short-cuts plant traffic across sunken railroad spur tracks. Available for one, two, three or four track gaps. When "down," platform is part of track bed. Dimensions and capacities to meet installation requirements. Hydraulic bascule type bridges also available.



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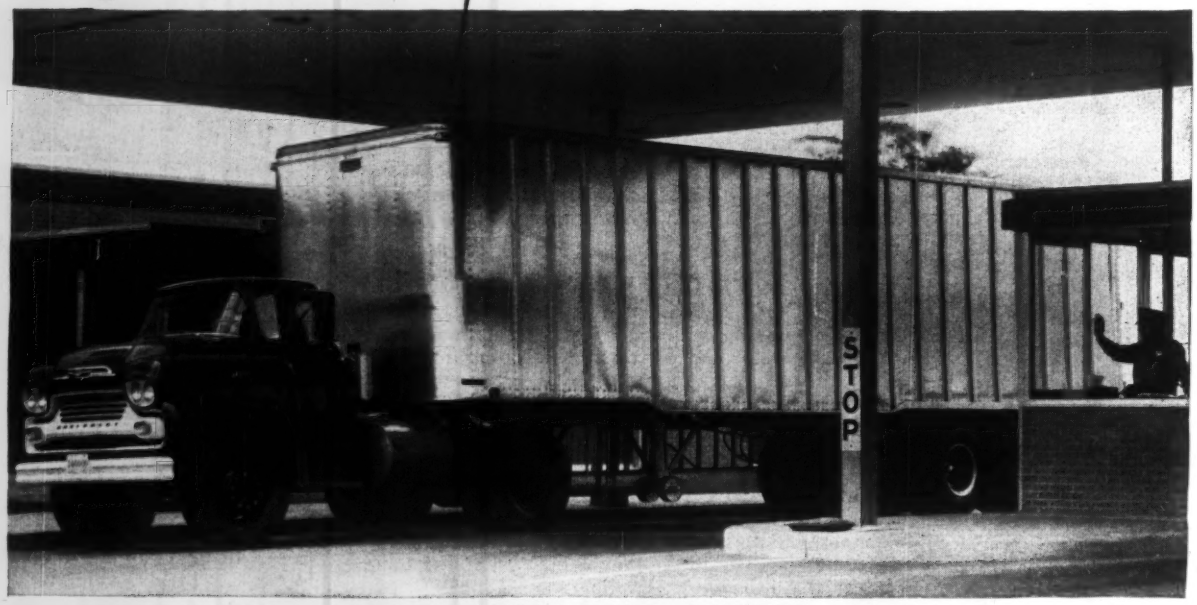

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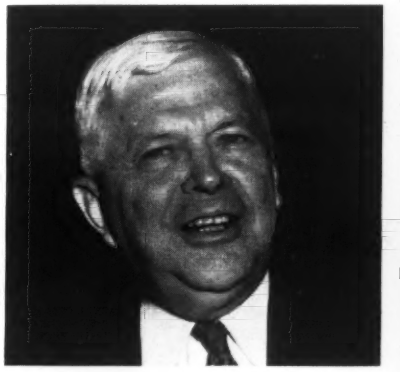
Needed: 10 Million More Jobs
Pitfalls in Management Training
Austerity Isn't the Answer



CHARLES E. WILSON, *former Secretary of Defense*

Technology Is Not Enough

Many of the most important problems our nation and the world face will not be solved in the technical laboratories. Our technical knowledge has already outstripped our understanding of how to make this knowledge contribute to the welfare and happiness of human beings.

I deplore the current overemphasis on technology and the applied physical sciences. I realize their great importance and the wealth produced by the industrial revolution which they make possible. But it is equally clear to me that a technological race with the Russians, or with any other nation, for that matter, is not the path that, in itself, will lead to peace in the world. Nor will such technical knowledge alone solve many of our domestic problems and further advance our American dream of a free, wholesome, and happy society.

The present challenge from the Communist world is a three-pronged threat—economic and social-political as well as military. Although an armaments race with the Russians may result in an uneasy peace, it obviously will not counter the communist challenge in the economic and social-political areas. And if the challenge in these areas is not also countered and resolved, we may lose our type of society and freedoms without a military showdown.

From a speech at Dartmouth College.

WALTER E. HOADLEY, JR., *treasurer, Armstrong Cork Company*

A Problem for the 1960's

Most employment forecasts and plans for the decade of the 1960's have centered to date on the demand outlook, primarily because of the expected wave of new family formations. Almost entirely overlooked is the very real problem of absorbing the enormous increase in supply of labor which necessarily accompanies these family formation projections.

Unemployment is already causing concern because recovery from the recession has not been accompanied by a corresponding increase in employment. The widely accepted view is that the labor force can be considered fully employed with 4 per cent out of work, reflecting persons between jobs, technically displaced individuals, and marginal workers. To hold unemployment to this 4 per cent level in the mid-1960's will require the addition of nearly 10 million more jobs. If suffi-

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$397.50 complete
1500 lb. capacity
Model 1056 —Battery operated

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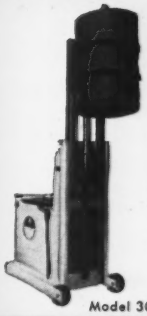

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Completely self-contained, refrigerated electric wall fountain. Capacity: 13 g. p. h.

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With completely new functional beauty and great new flexibility—wall mounted model WT-13, by Temprite, presents an entirely new concept in the design engineering of drinking water coolers. Designed for maximum architectural efficiency wherever self-contained coolers are specified—Model WT-13 is in complete harmony with today's building trends.

1 Mounts flush to wall.
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cient jobs are not found through private initiative, the political and inflationary repercussions of Government efforts to put the new labor force additions to work can be staggering.

From a speech before the wholesale distributors of Armstrong building products.

CHARLES W. V. MEARES, *vice president, personnel, New York Life Insurance Company*

Don't Fence Them In

We who are concerned with administration of large organizations are learning that management development programs are not corrals into which managers are driven to be graded, branded, and then improved. We are learning also that analyzing the performance of managers is not a judicial process or a mystic rite and that managers at all levels have strengths and weaknesses. In short, we are beginning to see the danger of monolithic management training programs.

Although they can upgrade the management force, they can also create inflexible management thought by destroying or rendering ineffective the necessary balance of personality and intelligence, the interplay of which creates vitality within the organization.

There is another danger in massive training programs. Well-staffed and supplied with a "student hunting" license, they have a way of spawning other training programs. The time has come to unmask the costly nonsequitur that "training is good because it's training." If we are not vigilant, we can find ourselves prisoners, not masters, of our sprawling heterogeneous training enterprises.

From a speech before the Midwinter Personnel Conference of the American Management Association.

WILLIAM C. NEWBERG, *president, Dodge Division, Chrysler Corp.*

A Subtle Menace

As part of the national mood of self-criticism we've been indulging in, a brand-new and very subtle kind of attack is being directed toward the business community. It comes in the form of a plausible-sounding argument that goes something like this:

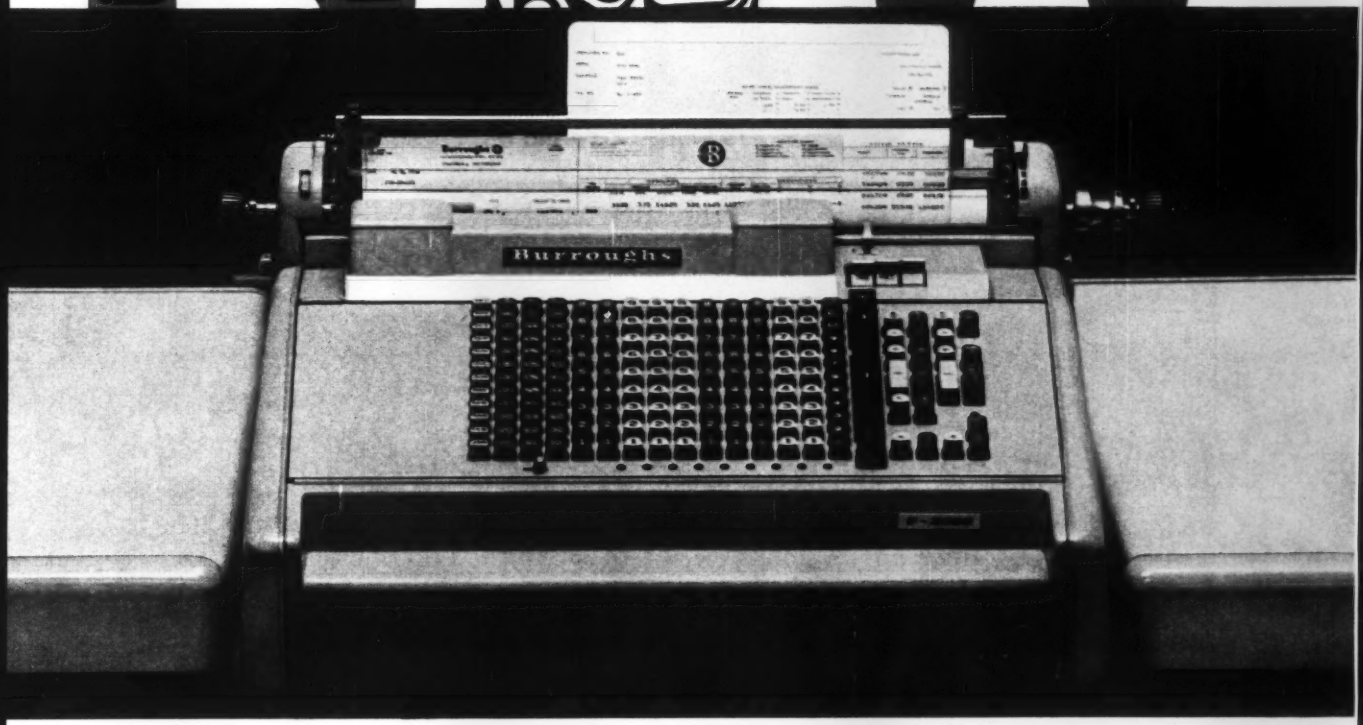
Our way of life is being seriously challenged by Soviet Russia and her friends. Russia has found a way to concentrate economic effort in those parts of her economy that will do her the most good in the cold war against us. Meanwhile, we have been preoccupied with designing and providing, advertising and merchandising consumer goods and services that have little to do with defeating Russia in the cold war. Our critics say we have persuaded too many people to live too high on the hog.

And they say it is time to divert a large part of the country's economic energies away from the consumer area and into areas which—according to this school of thought—would do us more good in fighting the cold war. In short, it is claimed that we must give up the frills and, in effect, live more like Spartans.

This kind of thinking could easily lead to more state planning and control and a fundamental change in what is still a relatively free and open business system. One way to fight this potential menace and also to finance more education, more defense, more research, more public health, and other necessary services is to keep the whole economy growing. By so doing, we can have a better chance of keeping public expenditures down to at least their present proportion of total expenditures.

From a speech before the American Management Association.

NEW



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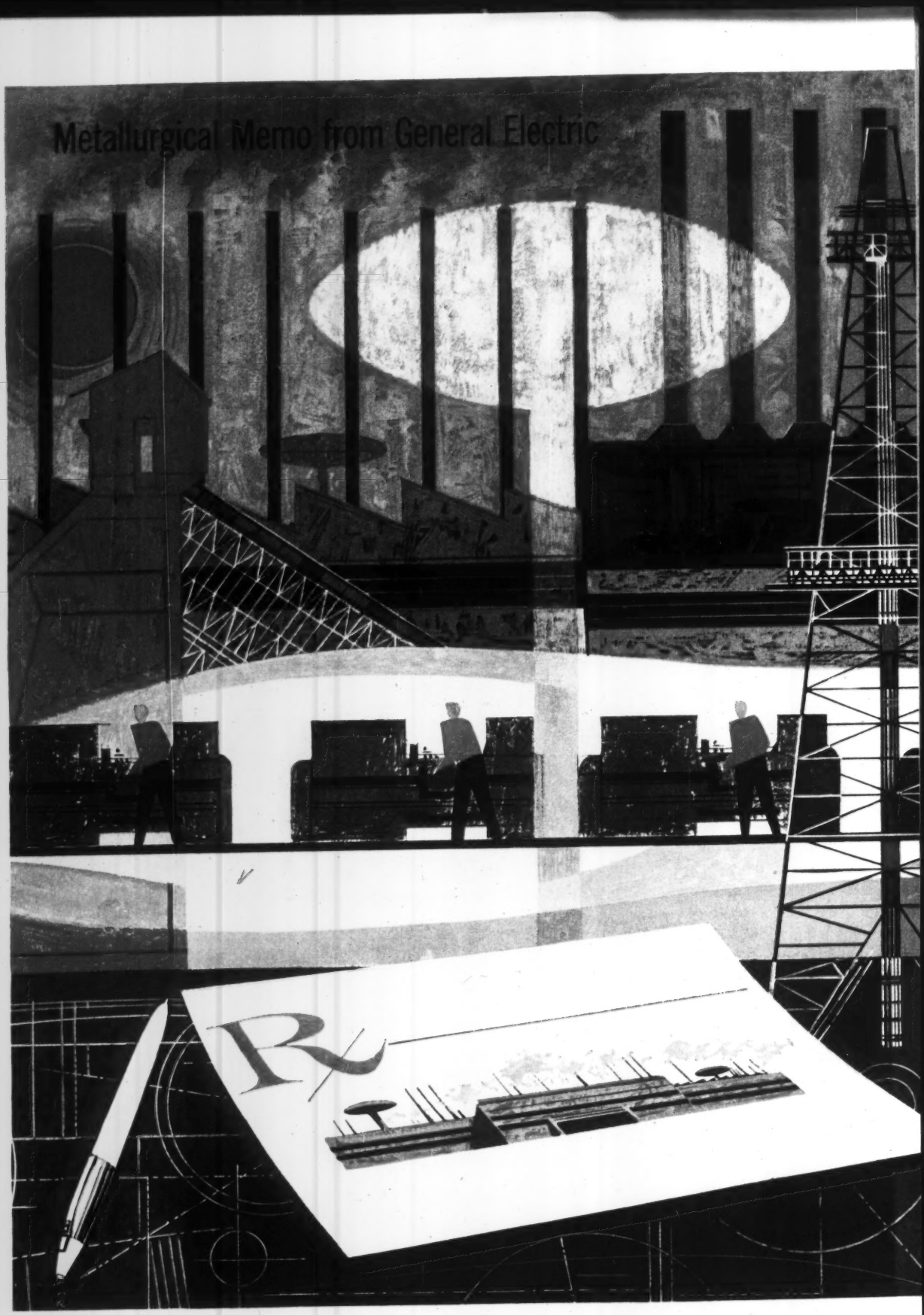
Metallurgical Memo from General Electric
Rx

Metallic vitamins for industry

Metallurgical Products Department reports on Carboloy® cemented carbides . . . and on why our engineers treat each carbide application as a separate problem

Before cemented carbides, this is what happened:

Cutting-tools wore out too fast; wire dies got out of round; saw blades grew dull—and this caused machines to be shut down too often. Oil production suffered when valve seats wore out. Ball point pens wore out too fast . . . and dental patients suffered when steel drills became too hot.

The very introduction of cemented carbide —up to 50 times harder and longer-wearing than most steels—went a long way toward correcting this waste. It reacted like a vitamin on production and product design.

But there is still a long way to go.

For, even if you have changed over to carbides, you may be short of getting optimum results from them. You may have a machine that could produce more with a harder or more wear-resistant grade of carbide. *Or, you may actually be using a grade that is too good for the equipment involved.* In either case, you are suffering a waste that shows up in your profit picture.

To help eliminate this waste, Metallurgical Products Department has developed not just one, but many grades of Carboloy cemented carbides—offers them in a vast number of forms for industrial and commercial use. To help you take full advantage of these cemented carbides, we offer you an engineering service that can actually prescribe for your specific requirements. The savings to you can be tremendous.

As headquarters for General Electric progress in metallurgy, Metallurgical Products Department has just one aim: to help you make a better product—faster—at a profit. If you would like further information, write: *Metallurgical Products Department of General Electric Company, 11179 E. 8 Mile Road, Detroit 32, Michigan.*

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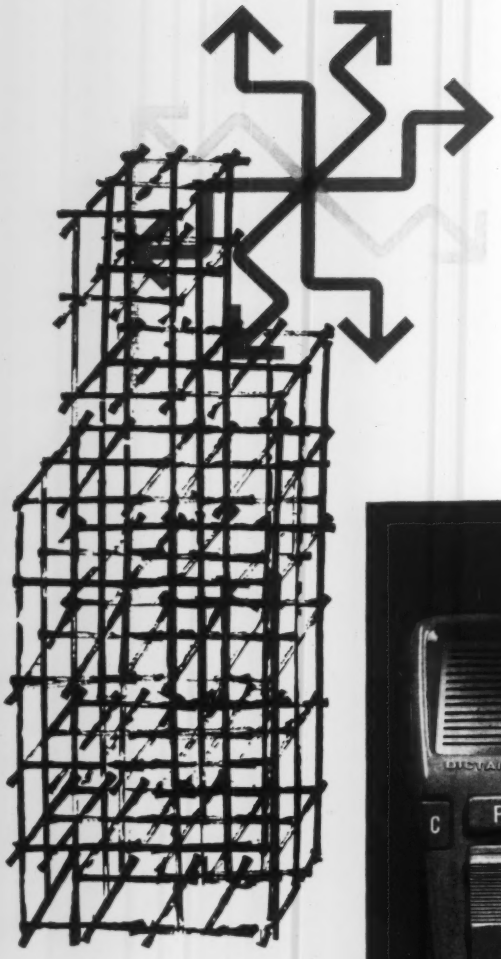
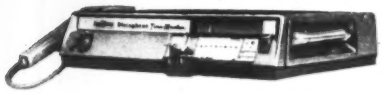
EXPANSION AND YOUR PROFITS

As you expand for the 1960's, a modern Dictaphone system can mean vital savings. A large life insurance firm saves over $250,000 a year. An industrial tool manufacturer saves $33,000 a year.

As you streamline and expand your production facilities for the predicted growth of the 1960's, you can protect your profits by improving your office production, too. For example, you may expand your handling of business communications by 1/3 or more without any additional space or personnel by installing a modern Dictaphone dictating system. A Dictaphone consultant can analyze your needs and give you documented proof of savings in four vital areas: 1. Proof, more actual work done in less time. 2. Proof, fewer additional people needed. 3. Proof, less office equipment needed. 4. Proof, less costly office space needed. For any dictating or recording problem in your plant or office, call your nearest Dictaphone headquarters for a free analysis of your needs.





All-transistor Dictaphone TIME-MASTER *is the first truly automatic dictating machine, only one using Dictabelt record—non-erasable, visible recording medium designed expressly for dictation.*

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DICTAPHONE, TIME-MASTER AND DICTABELT ARE REGISTERED TRADEMARKS OF DICTAPHONE CORP., 420 LEXINGTON AVE., N.Y., 17, N.Y.; 204 EGLINTON AVE. E., TORONTO, CANADA; 17-19 STRATFORD PL., LONDON W.1, ENGLAND.

WASHINGTON Business Front

JOSEPH R. SLEVIN

- ✓ *The first Small Business Investment Companies are set to open their doors to capital-hungry customers.*
- ✓ *The Administration, fearing a spending spree, keeps mum about a possible budget surplus in fiscal 1960.*
- ✓ *Higher rates on VA-guaranteed home mortgages are offered in hope of attracting private investors.*

WASHINGTON, D.C.—There's been no wild stampede for licenses, but the Government's plan to supply long-term funds to small business by licensing a new group of private financing institutions known as Small Business Investment Companies has aroused solid interest throughout the country.

Since the program was set up last August under the provisions of the Small Business Investment Act of 1958, the Small Business Administration has received more than 80 license applications which it expects to approve. Sixteen companies had been authorized to begin operations by mid-June, and another 22 have been notified to proceed with incorporation. Duncan H. Read, deputy administrator of the SBA in charge of the Investment Division, predicts that approvals of new SBIC's will come at a steady rate of eight to ten a month until the application backlog has been cleared up.

This isn't a Government lending program. Instead, it's an attempt to supply cash through the new financing institutions, which are allowed to borrow from the Government and are given tax incentives to encourage them to set up shop (see DUN'S REVIEW, February 1959, page 107).

Green lights have been given to SBIC's to operate in Miami, Atlanta, Washington, Baltimore, and Boston on the East Coast; in San Diego and San Francisco, Calif., on the West Coast; and in Dallas, Nashville, Tenn.; Bloomington, Ill.; Milwaukee and Thorp, Wis.; and Minneapolis, Minn., in between.

Meet the management

About one-fourth of the applications list banks among the stockholders, but only a handful will be wholly owned by banks. The Citizens and Southern National Bank of Atlanta, Ga., and the First National Bank of Boston have received two of the clearances. Another has gone to the Third National Bank of Nashville and an affiliate, Third National Company. The Bank of America, San Francisco, is talking of setting up an SBIC, and the sole stockholders of another SBIC will be the banks of Dallas. Key sponsors of other SBIC's include commercial bankers, mortgage bankers, manufacturers, lawyers, accountants, engineers, and scrap dealers.

The SBIC's are opening their doors at an opportune time for them and for their potential customers. Money is getting tight, and financial history shows that small companies are among the first to be squeezed.

If small business men don't clamor for SBIC money now when business is booming and money is tight, then they probably never will.

The SBIC's are being set up to supply long-term investment funds, not credits that small business men need for 90 days—or even for five years. A small business man who can't obtain private short-term financing can apply to the SBA for a direct Government loan of up to $350,000 at 5.5 per cent interest.

Study after study has revealed that small business cannot obtain either an adequate amount of long-term loans or sufficient equity capital. The SBIC's are supposed to fill both needs.

Profit prospects for SBIC's

The SBIC's are authorized to make up loans of up to twenty years that can be extended for an additional ten years. They can supply equity capital by buying debentures that they later can convert into stock. Experts predict that most of the SBIC's will make big profits only by purchasing convertible debentures in fast-growing small companies. Some SBIC's are being set up for the primary purpose of making loans and will rely chiefly on their interest receipts to show a profit. A number hope to obtain a handsome return from providing management and consultant services.

Present indications are that SBIC interest charges will be steep. The SBA allows an investment company to charge the maximum amount that's permitted by the state where the loan is made. If the state has no ceiling, the SBA looks at the rate in neighboring states and fixes a comparable ceiling. The most it has agreed to let any SBIC charge is 14 per cent, but it

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INSPECTED
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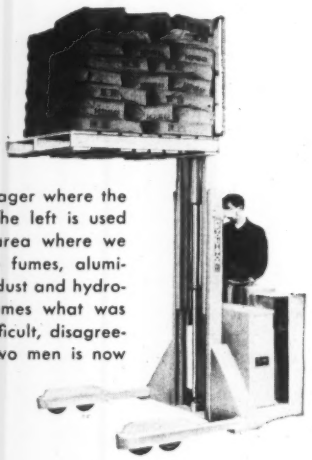
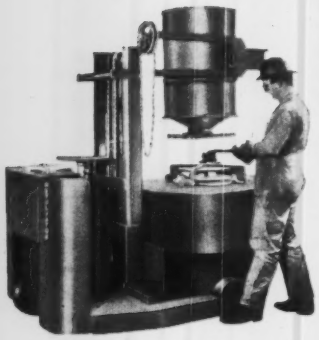
APPROVED and PROVEN

8 YEARS ON THE JOB

Since 1951 Revolvator Go-Getters, designed for this service, have been specifically approved by leading industrial insurance companies for use in Class I Group D explosion hazardous areas in major plants from coast to coast. User comments like those below show that the Go-Getter has been more than approved by safety authorities . . . it has been proven in use for eight years.

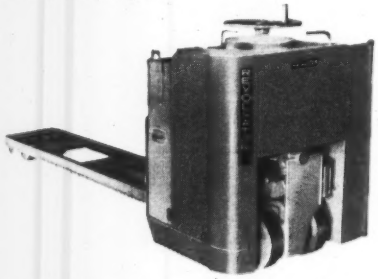


The Plant Manager where the Go-Getter at the left is used says, "In an area where we have explosive fumes, aluminum choloride dust and hydrochloric acid fumes what was previously a difficult, disagreeable job for two men is now easy for one."



Air in the color mixing room of the finishing plant where the Go-Getter above is used carries organic dusts as well as explosive fumes. The foreman says, "The men like the Go-Getter and use it steadily."

Executives in the chemical plant where the model to the right is used say, "We use the Go-Getter in our area which has the most severe hazard." Another plant where quantities of explosive solvents are used for "wash down" reports of a similar model, "We are well pleased and we are ordering another Go-Getter."



A major insurance association writes, "We are quite willing to accept the unit (Go-Getter) as it is designed with explosion proof housings for the motors and controls as usually specified for electrical equipment that can be safely used in explosion hazardous areas."

A nationally known safety engineer writes, " . . . calling the existence of this line of trucks to the attention of the industry as we believe many would want to know about this equipment."

The Go-Getter is the latest addition to a complete line of materials handling equipment for use in explosion hazardous areas that Revolvator has been building for over a quarter of a century.

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will go as high as 15 per cent—the legal maximum in at least one state.

Deputy Administrator Read says he doubts that most SBIC's will set their interest rates at the maximum level, but he contends the rates aren't excessive charges for a profitable, growing business. "These rates are in line with the rates charged by reputable lenders," he maintains.

The Federal Reserve surveyed 22 finance companies and found that they charged an average of more than 14 per cent for advances on accounts receivable and an average of more than 13 per cent on machinery loans, Read points out. But these are short-term loans, and the new investment companies will be extending long-term credits, he emphasizes.

The minimum paid-in capital and surplus for an SBIC is $300,000, and that's just how big most of the new investment companies are. An SBIC must be able to put up at least half the money itself and can obtain up to $150,000 by selling subordinated debentures to the SBA. The company can further increase its size by borrowing an amount equal to half its capital and surplus from the SBA. The Government agency charges 5 per cent interest on loans and debentures, and Congress has given it $250 million to invest in SBIC's.

Some SBIC's plan to raise substantial amounts of additional cash through public stock offerings. Electronics Capital Corp., San Diego, Calif., has issued $18 million of common stock. "Another is going to raise $11 million," Read says. "A lot of the minimum companies intend to get more capital later."

Better times for the Treasury?

Secretary of the Treasury Robert B. Anderson is hopeful that he will have an easier time managing the Government debt this year than he had last. Come what may, he figures it can't be much worse. Fiscal 1959 ended on June 30, and by any standard it was one of the most turbulent in the history of Federal finance.

The Government bond market was torn by the aftermath of a wild speculative buying spree and by the reluctance of inflation-shy investors to put their money in fixed interest obligations. Anderson had to devise new short-term financing techniques, including a novel series of six-month bills, and he had to find funds to pay off some of the heaviest cash-ins of

outstanding securities that the Treasury has ever encountered. Interest rates rose sharply and finally climbed past the 4.25 per cent Government bond ceiling that had been on the statute books since 1917.

One major change makes the months ahead look a good deal brighter to Secretary Anderson. Instead of having to borrow money to finance a record peacetime deficit, he hopes to have a balanced budget that will make further deficit financing unnecessary. The Secretary doesn't like to say so out loud, for he doesn't want to encourage Congressional spenders, but Government experts think there is more than just an outside chance that the Government will have a modest surplus in fiscal 1960.

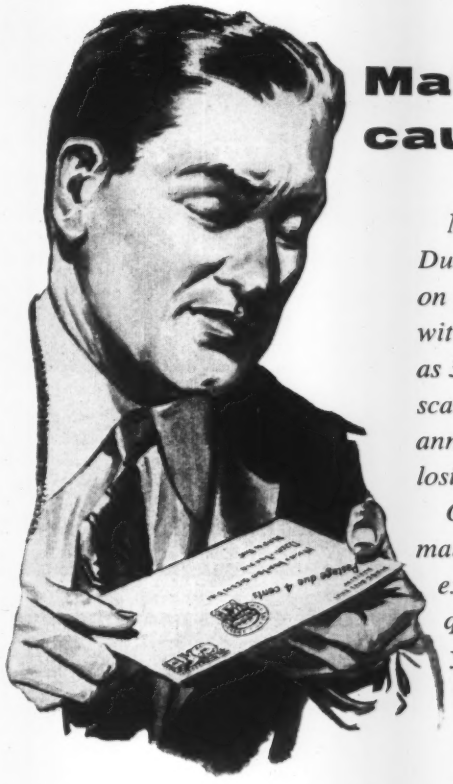
A surplus can be used for many things. It can defray the cost of new or bigger spending programs. It can provide a nest egg for tax reduction. Or it can be used to reduce the debt by retiring outstanding Government securities.

Neither Secretary Anderson nor President Eisenhower has any desire to boost Government spending. On the contrary, they want to cut it. Both consider taxes too high and would like to put through a reduction. But, as of now, they have assigned top priority to reducing the debt. The President frequently talks about the urgent need for achieving a budget surplus—and he almost invariably follows through by declaring that the surplus should be earmarked for debt reduction.

Financing new home mortgages

The Administration hopes that private lenders will show greater enthusiasm for home mortgages guaranteed by the Veterans Administration at 5.5 per cent interest rate. A lack of investor interest in 4.75 per cent VA mortgages has put heavy pressure on the VA's direct loan program.

Insurance companies joined in the Government's Voluntary Home Mortgage Credit Program and supplied a large number of mortgages to applicants for direct loans when the VA interest rate was more attractive. But the insurance companies stopped allocating funds to the VHMCP when other yields rose and the rate on VA-guaranteed mortgages remained unchanged. They won't start lending again until they decide that the VA rate is high enough to justify renewed buying. END



Mailing errors cause gripes!

Nobody likes to get "Postage Due" letters, pay extra postage on your mail, especially now with postage rates up as much as 33⅓ per cent. If your mail scale underweighs, you may be annoying your customers, losing good will for your firm.

On the other hand, if your mail scale is overweighing—the extra 4¢ per letter can waste quite a lot of money in a year. You just can't afford an inaccurate mail scale!

Get a Pitney-Bowes Mailing Scale. Its automatic pendulum mechanism stays accurate, registers fast and exactly. Big chart markings are easy to read, leave no area of doubt. Mailing is faster and easier. And a PB Scale soon pays for itself in postage saved, errors avoided.

Models for every office, large or small, including a 70 lb. capacity parcel post scale. Ask the nearest Pitney-Bowes office to show you, or send coupon for free illustrated booklet.

FREE: *Handy desk or wall chart of latest Postal Rates, with parcel post map and zone finder.*

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Originator of the postage meter . . . offices in 121 cities in U.S. and Canada.

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Send free booklet ☐ *rate chart* ☐
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Address _____

Countertrend to Decentralization:

Top Management Tightens Controls

- ***"Too much, too soon." That's the verdict on more than one well-publicized decentralization.***
- ***Costly errors at division level spur the countertrend toward centralized decision making.***
- ***New staff groups and computer systems are helping top management tighten its grip on the reins.***

"IF YOU THINK you've seen a lot of changes in business, just stick around a few years," says a senior partner of a top management consulting firm. In one way or another, many top executives are saying the same. And they're not just talking about market shifts and technological changes. Equally significant, though less spectacular, are the sweeping organizational changes taking place today in industry.

For the fact is that hundreds of companies which decentralized for growth during the postwar boom years are now, paradoxically, recentralizing —again, for growth.

Most of them, naturally enough, don't like to call it that. For the past dozen years decentralization—along with management development, effective communication, and democratic supervision—has been very much in fashion. Among those who, until recently, were loudest in proclaiming its virtues, few now care to admit having gone too far in their enthusiasm.

"Recentralization is a dangerous word. We'd rather think of it as redefining regions of authority," says one company executive. Other companies speak of "centralizing policy while decentralizing administration." But what it adds up to is that decisions previously handled in the field, or not handled at all, are now being made at headquarters.

In one way or another, dozens of concerns—from giants such as Olin Mathieson Chemical Corp., New York, to smaller companies like S. B. Penick & Company, New York—are busily tightening up their organizational systems. Some of this activity is a natural reaction to decentralization programs that went too far and wound up weakening companies. But beyond this, some new organizational developments are spurring organization change.

Competition and the increased complexity of business are forcing companies to put more and more emphasis on long-range planning, product development, and research. As a result, a whole flock of new staff groups are arising to take their place at the right hand of top management. These groups collect information and make "suggestions" for the company as a whole. Inevitably, they end up doing much of the planning for—and, in effect, clipping the wings of—nominally autonomous divisions.

Meanwhile, computers are starting to work their way out of the payroll departments to take over the paperwork functions that permit even greater centralization of control.

Countertrend gains momentum

All companies, of course, aren't going to recentralize (some never decentralized), but the effort is going on in enough companies to make recentralization an important organizational trend. Lately, consultants with such concerns as McKinsey & Company, Cresap, McCormick & Paget, and William E. Hill & Company have been reporting that direct and indirect recentralization projects are high on their activities list.

A good example is Olin Mathieson, which is still in the middle of a massive reorganization program. Formed by the merger of Olin Industries and Mathieson Chemical a few years ago, this company, which produces metals, chemicals, fertilizers, forest products, pharmaceuticals, guns, explosives, and anti-freeze in some 50-odd plants, was boomed as a comer. But somehow it never got rolling. Instead, its various autonomous divisions were running off in different directions, and the

company soon was falling apart under its own weight. Profits dropped, growth slackened, and debts mounted.

In 1957, John Osborne, who had been executive vice president of finance and of international operations, took over the presidency. He has since streamlined the corporate structure from a total of seventeen divisions to six domestic and one international division. Each division manager has been given a charter detailing his responsibilities and management's performance standards. Division cost figures are gone over with a fine-tooth comb, and every manager knows that "someone up there" is watching him for results.

Many of the companies that have resorted to one form or another of recentralization faced a unique situation with highly specialized problems. All of them, however, had this in common: They got into trouble by over-decentralizing authority.

In most companies, the danger wasn't necessarily so evident, nor the reform so drastic as in the case of Olin Mathieson. For example, a Midwest electronics company, whose separate divisions were accustomed to operating with a free hand, began to realize that various division policies and operations were leading the company toward development programs it could not finance. By beefing up its staff services, the company has since taken all planning under its own wing. And the giant Socony Mobil Oil Company, in realigning its marketing and operating organization, is counting on new staff groups to help centralize policy at headquarters and further decentralize administration throughout its overseas operations.

How the trouble began

Back in the early 1950's, a lot of American companies were swept along too fast by postwar growth, merger, and expanding new markets to keep any effective control of operations. The safest course seemed to be to give divisions their head and let the man on the job call the shots. "As often as not, it was a case of 'when in doubt, delegate,' and it often worked well," says Everett Smith of McKinsey & Company. But now, as they learn more about their industries, their markets, and control of expanded organizations, top managers are quietly starting to take hold again.

Often these moves are welcomed by the department and division heads affected. Much of the ambiguity about their jobs is removed, and they are free to concentrate on specific duties. Says the chairman of the board of a major chemical company, "When a division manager, who used to be told merely to 'make as much money as possible,' knows just what sales and growth targets are expected of him, how much money he'll have to operate with, and what areas to concentrate on, he is likely to feel much freer about his job." It is this aspect of reorganization that top manage-

Recentralization Saved the Day

Costs were climbing and profits were plummeting when top management of these companies called a halt to the free-wheeling operation of their autonomous divisions. Here is how centralization of authority and control brought order and financial stability out of chaos.

Rheem Manufacturing Company

This New York metal container producer had expanded into home water heaters, appliances, plumbing fixtures, auto bumpers, and aircraft parts. In the early 1950's, company management embraced the decentralization concept so enthusiastically that it divided some sixteen plants between six highly autonomous regional managers and virtually let go of control. By 1956, the company was deep in trouble and losing money. In the face of a steadily toughening national appliance market, its regional managers had no coordinated marketing program. A disastrously low bid on an aircraft parts program by an autonomous division manager shook the company structure even more, and a new management team had to be called in to put the pieces back together again.

A close-knit executive committee, working under president A. Lightfoot Walker, has reorganized the company on a product-line basis, eliminated a number of money-losing projects, cut overhead, reduced debt from $60 million to $29 million, and put the company back on the track. Division managers have full say on their own day-to-day operations, but it's top management that coordinates marketing, finance, and long-range planning—and keeps a close eye on operations. "You might say that division managers have full responsibility for profit figures, but not quite all the authority," a member of the executive committee comments wryly.

American Bosch Arma Corp.

A few years ago, with management controls lax, this Hempstead, N.Y., missile and auto parts producer was virtually taken over by the company's talented engineers. They had lots of interesting irons in the fire, but costs were so high and accounting so poor that the company was racing toward Skid Row. It took the intercession of new top management and a handful of special staff assistants to pick up the trailing reins and get the company back in line.

Raytheon Manufacturing Company

Trying to operate a hodgepodge of decentralized divisions virtually on a holding company basis got this Waltham, Mass., electronics and missiles company into trouble. Even apart from the costly ventures into television production and electronic computers, the company found that its radio tube and transistor divisions were sloshing in red ink. Costs in other departments were zooming, and profits were plummeting. A specialist, Harold Geneen (now president of International Telephone & Telegraph Corp.), was brought in from the outside to help pull the company together. His successful prescription, in brief: fast installation of a mass of staff and advisory groups to track down costs, help top management check division operations.

ments usually insist on calling a form of decentralization. "But when the word games are over, it's usually a case of headquarters taking over more operating control," says an industry specialist.

Partly because of the enthusiastic build-up they gave the concept of decentralization of authority, management development via delegation, and human relations, many companies wince at the word "recentralization." Often they hedge by noting that what they are recentralizing is policy, not operations. A few, however, ruefully admit that policy today may not mean exactly what it did a few years ago. And both in general management literature and in private talks with top executives, a change in attitude toward decentralized control and delegation is noticeable.

The renascent "hard" school holds that "permissive" or "participative" management, although based on excellent and democratic ideals, just isn't practicable in the vast majority of companies. The fact is, these critics say, most companies actually are run by the president and a bare minimum of other top executives, who, by their very nature, are not prone to delegate. Much so-called decision making by middle managers, they feel, is pretty much a pretense. In many concerns, this management feeling already is being translated into action, or soon will be.

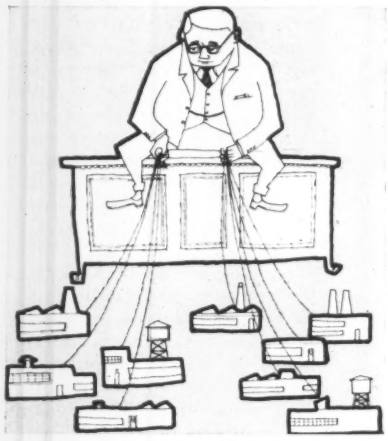
When "advisory" groups decide

Sometimes the trend toward centralization of decisions is virtually unconscious, but it is none the less real. It shows up in the use of special information-gathering staff groups such as the operations research, long-range planning, marketing, and research and development staffs that occupy more and more space in company headquarters. Nominally advisory staff functions, these groups often swing a lot of weight in operations. They are also the means by which top management collects information for decisions it might otherwise leave to divisions or departments.

One of the best examples is the operations research team, which, in numerous companies, not only advises but actually tells divisions and departments what number and type of production runs to make, what inventory levels to keep, what costs to expect, and where to locate warehouses.

Although this advice aids division managers in performing their duties, it also cuts down their area of responsibility and chops the ground right out from under some of their subordinates, who used to coordinate production before operations researchers entered the picture.

"I never thought of it that way, but I guess we are nibbling away at decision areas that we never used to touch," says a company president, who notes that this trend shows up in other functions besides operations research. In his company, for instance, it is now standard practice to require plant managers to present headquarters with certified cost figures and pay-back estimates on new production equipment they wish to purchase.



Formal long-range planning programs, which many companies are adopting, also tend to have a centralizing effect on both corporate and divisional headquarters. In setting objectives and specific goals, companies make projections of sales, costs, product lines, and capital outlays for all divisions. Much of the actual work is done by division or department people, but it is coordinated by a long-range planning staff, which has an indirect, but usually important, voice in decisions.

Commenting on this, a division executive for a Chicago-based concern notes that five or six years ago headquarters would say, "Well, what do you fellows plan to do?" Now, headquarters is likely to have in mind a complete development plan, which it has been quietly selling to divisions for six months. "They usually take our advice," the head of one large manufacturing company's long-range planning group says of division management. And a top executive for a diversified chemicals and forest products company adds that, "if the president leans on his staff people, the divisions know it and listen to them."

In effect, then, although divisions still nominally make their own long-range planning and investment decisions, it's likely that someone from headquarters either goes through the step-by-step process with them or reviews it carefully in the light of overall company planning.

Trend to centralized marketing

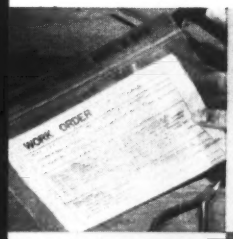
Marketing is another planning function that is commonly being centralized. The woods are full of companies that have shown signs of coalescing marketing operations at the headquarters level. To name a few: Olin Mathieson, Federal Pacific Electric Company, Newark, N.J.; Socony Mobil; Elgin Watch Company, Elgin, Ill.; The International Nickel Company, Inc., New York; American Brake Shoe Company, New York; The Budd Company, Philadelphia. All these concerns have recently set up or enlarged their headquarters marketing staffs.

Another device that is going to make it easier for companies to centralize control of operations is the office electronic computer. So far, most business computers handle little more than company payroll and occasional sales or production calculations. However, computers are beginning to take over the accounting of all company production, sales, and cost figures. Computers are already being used to program production in some plants. In about fifteen years, researchers expect to produce a computer "bright" enough to take over many of the routine decisions that comprise the work of platoons of lower-level managers.

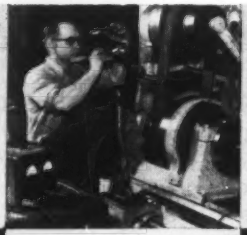
Remember, many organization specialists say, top managers decentralized authority in growing companies not because they necessarily wanted to, but because they had to. They couldn't keep abreast of the details, so they turned the job over to the man on the scene. Now, with staff groups and computer information systems making it possible to routinize previously complex jobs and to assimilate more information quickly, management, quite naturally, has started to centralize again.

—EDWARD MCCREARY

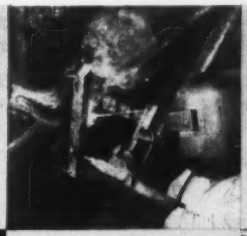
Getting the Most for Your MAINTENANCE DOLLARS



Carefully written maintenance orders and records save big money in the end.



Preventive maintenance is still the key to lower maintenance costs, fewer breakdowns.



Contracting-out some maintenance requires education of employees.

Many companies are testing maintenance materials for a four-to-one saving.

Specifying high-quality building materials cuts later upkeep costs.

No maintenance department can function without efficient communications.

U.S. INDUSTRY is wasting an estimated 25 per cent of its annual maintenance budget. That's the considered judgment of the men who ought to know—top experts in the plant maintenance field. Obviously, saving that vital chunk of the overhead—without lowering plant resistance to breakdown-inducing bugs—is an urgent challenge to industrial management.

The problem has become even more a top management concern with the introduction of costly, complex, and automatic production equipment, which requires the attention of an increasing number of maintenance workers. The mounting cost of building or modernizing plants to house this equipment also increases the importance of plant upkeep.

To find out what U.S. manufacturers are doing to keep up with this major chore, DUN'S REVIEW surveyed the maintenance bosses or the men they report to in large, medium-size, and small companies throughout the country. Executives in 171 plants completed the detailed, four-page questionnaire. Here are some of the major findings:

- Many plants are revising, or have recently revised, the organizational set-up of their maintenance department to improve its operation.
- Close to 50 per cent of big companies, but very few medium-size and no small organizations, are experimenting with operations research and other mathematical techniques to improve operations, or reduce maintenance material inventories.
- Most companies of all sizes are successfully employing contract maintenance services to handle specialized jobs and peak loads.
- Most companies are specifying higher quality (and usually more costly) construction materials for new or expanded plants to cut upkeep costs.
- More and more companies are attempting to set work standards for maintenance.

Check your maintenance program

Obviously, the first step toward getting more for your maintenance dollar is to make sure your maintenance organization is as efficient and streamlined as possible. The survey findings reveal that many companies are in the process of reorganizing their maintenance departments. For example, at the main group of plants of the Gardner-Denver Corp. in Quincy, Ill., the maintenance department has been enlarged and has been assigned certain added planning responsibilities. Its head, J. A. Van Doorn, now reports higher up, to the division general manager rather than to the works manager.

At Hooker Chemical Corp., Niagara Falls, N.Y., small area-maintenance shops were set up to handle routine jobs. The central maintenance shop does only special or emergency jobs. As a result, a smaller force is handling the same maintenance load.

One major result of the recent reorganizations has been to give the head of maintenance more responsibility—and more spending authority. On this point, there are enormous variations in company policy. The survey shows:

- Among the large and medium-size companies, some heads of maintenance can authorize capital expenditures as large as $2,500 without consulting higher authority. The most common limit, however, is $500.
- Among small manufacturers (less than $10 million in annual sales), the limits range up to $1,000, but $100 is

St. John
"Considering the responsibilities and the amount and variety of know-how required, does any department need management leadership more than maintenance?"

Gross
"Past experience with machine maintenance guides us in making intelligent purchases of new equipment."

Henderson
"Instead of setting rigid time standards for maintenance workers, we emphasize that 'it's performance that counts.'"

Beggs
"Experience proves time and again that a good preventive maintenance program cuts over-all maintenance costs and interruptions in production."

the most common. However, these limits can usually be exceeded in an emergency. That's the case at Baltimore Business Forms Company, according to William H. Gross, head of maintenance.

Another way to improve maintenance at little or no added expense is to encourage maintenance personnel to exchange information with other company plants, with neighboring plants, or even with competitors. In many industries, maintenance personnel meet regularly and formally to trade experience.

Helping the little fellow

Some companies which have well-managed, up-to-date maintenance departments are willing to pass on their know-how to smaller and less efficient competitors so that the industry as a whole can cut maintenance costs, one way to counter foreign competition.

To cut building maintenance costs, most companies are spending more money for higher quality materials. For example, they are using aluminum sidings, tile walls, plastic coatings, and galvanizing to eliminate many painting jobs.

Where corrosive gases are a problem, companies are turning to epoxy paints, plastic ductwork, and alloy steels to cut later maintenance. Where possible, companies are air conditioning their plants to cut cleaning costs as well as to improve employee productivity.

Many companies are considering setting work standards for maintenance personnel. Since maintenance is not a repetitive operation, it has traditionally been free of the time standards so common in production work. Very few small and medium-size manufacturers have as yet established work standards in this area, according to the DUN'S REVIEW survey, and few others are considering them.

Among large companies, however, 40 per cent have established or are planning to set maintenance work standards. Within the 40 per cent, the variations in approach are enormous. Even within the same company, policy may vary. One car maker, for example, has established such standards in a few plants, but not in all.

Most of the work standards in effect are based on analysis of time records of previous similar jobs. Sampling is the next most popular method of determination. A few companies, such as Robertshaw-Fulton Controls Company, combine a number of techniques in setting standards. Other companies, including Motorola, Inc., and Union Carbide Corp., have developed their own methods.

The general feeling among companies that do not set maintenance work standards seems to be that experienced foremen know how long a job should run and that adequate supervision insures no waste where experience can't set a time limit. "Performance is what counts," according to David E. Henderson, vice president, Roberts Company, Sanford, N.C. However, the increasing complexity of machinery and the increasing shortage of trained men (which many large companies are countering by setting up training schools) is forcing more and more companies to set maintenance work standards.

Mathematical and statistical techniques, including operations research, have many present and potential applications in maintenance. For example, if large inventories of maintenance materials can be reduced by analysis without cutting service, a company can make big savings. It's unrealistic to expect the head of maintenance, who is responsible for having spare parts on hand when a breakdown occurs, to keep stores down to the minimum. Statistical analysis is the answer.

Companies also are considering testing programs to get the most out of every dollar spent on supplies. Not too surprisingly, only the big companies surveyed—and fewer than half of them—now have any sort of materials testing program.

At E. I. du Pont de Nemours & Company the testing of maintenance materials is consolidated with tests of many other things—original equipment, packaging, and so on. The director of this program estimates that each dollar invested in testing returns three to four dollars in savings.

Stopping wear at the beginning

In the final analysis, the best cost-cutting tool of all is a carefully developed and consistently applied program of preventive maintenance that does away with costly and unnecessary breakdowns of vital production equipment through inspection and replacement of parts on a scheduled basis. Harry Beggs, director of manufacturing at International Telephone & Telegraph Corp., says he's never

seen a preventive maintenance program that didn't save money in the long run. The results often can be spectacular. For example, at the Corpus Christi plant of Columbia-Southern Chemical Corp., a preventive maintenance program cut maintenance manpower by 15 per cent and emergency breakdowns by a fourth.

Maintenance experts like John St. John of Baker Perkins, Inc., Saginaw, Mich., are convinced that it's management's job to set plant maintenance standards and the maintenance department's job to provide the methods and means for attaining them.

Proof of the pressing need for management of maintenance is found in a recent survey of 687 manufacturing companies listed on the New York Stock Exchange which revealed that their collective maintenance costs amounted to about two-thirds of net profits. When that kind of money is involved, maintenance becomes an important top management responsibility. —MELVIN MANDELL

How Do You Rate on Maintenance?

This management checklist is based on an analysis of the most successful maintenance practices and policies reported by many progressive manufacturing companies in a new DUN'S REVIEW *survey. Although every point may not be applicable to every plant, each should be investigated for possible use or adaptation.*

☐ Does the maintenance department have an annual budget?

☐ Have you established maintenance cost standards, where feasible, and do you endeavor to compare your maintenance costs with those of other companies in your industry?

☐ Is there an organization chart for the department?

☐ Are job specifications written down?

☐ Is the head of the maintenance department encouraged to communicate his problems and needs to higher management?

☐ Are requests for maintenance service put in writing?

☐ Are adequate records maintained? Do they include: a maintenance log book; equipment record and history; equipment check planning sheets; part tags; inspection checklists; lubrication checklists and coding system; electrical maintenance checklists; cost information; maintenance stores control?

☐ Does the plant engineer or maintenance head (or his aides) make a daily inspection of the plant?

☐ Is the plant engineer responsible for getting bids on structural repairs or modernization from outside building contractors?

☐ Does management keep tabs on the performance of the department, and maintain a record of slowdowns or production stoppages due to neglect or inefficient maintenance?

☐ Does the maintenance department have a centrally located shop adequately equipped with the necessary machine and hand tools?

☐ Does the department have a suitable storage area for properly tagged parts, hardware, and supplies?

☐ Does the plant engineer sit in on top management meetings at which plant expansions are discussed?

☐ Is the plant engineer familiar with insurance company codes and regulations so that he is able to help hold down plant insurance premiums?

☐ Is there a continuing program for testing maintenance materials used in volume?

☐ Are machinery suppliers required to deliver maintenance manuals and recommended spare parts lists with all machines? Are these manuals and lists kept up to date?

☐ Is at least one representative of the maintenance department on hand when new machinery is installed?

☐ Does the maintenance department use an installation checklist to make sure new machinery is properly installed and tested?

☐ Are regular comparisons made of the cost of rebuilding machinery at the plant and in outside rebuilding shops?

☐ Before an expensive modification of a machine is made in the maintenance shop, is the original manufacturer invited to make a bid?

☐ Can the plant engineer furnish an estimate of the life expectancy of each machine tool?

☐ Do production machinery specifiers obtain the opinion of the head of maintenance on ease of maintenance and accessibility of wearing parts before ordering new machinery?

☐ Do key maintenance personnel meet regularly to exchange experience?

☐ If the company has more than one plant, do heads of maintenance in various plants meet at least once a year to exchange experience?

☐ Are maintenance personnel encouraged to visit competitive or neighboring plants to exchange experience?

☐ Have you considered the pros and cons of contract maintenance?

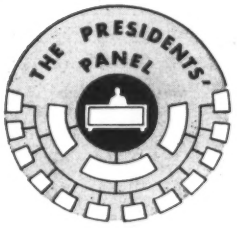
☐ Before maintenance is contracted out, is the reason explained to company maintenance people?

☐ Are steps being taken to improve communications within the department (e.g., by two-way radios on maintenance trucks, paging systems for inspecting parties, and so on)?

☐ Is the schedule for the maintenance staff posted where it can be checked easily?

☐ If the company purchases power, does the plant engineer regularly check the plant's power factor?

Industry's Leaders Face the Labor Challenge



BARGAINING MOOD . . . ***No compromise on "management's right to manage" —and stiff resistance to increasing fixed costs.***

COST-PRICE SPIRAL . . . . ***Presidents expect new contracts will hike labor costs by 4 per cent. Anticipated price rise: 2 per cent.***

PRODUCTIVITY GAINS . . ***Up 10 per cent by 1964 in the Average Panel company. Some foresee gains as high as 40 per cent.***

MORE FRINGES . . . . . . ***Companies will resist demands for more fringes—but 56 per cent see costs rising 1 to 3 cents an hour.***

UNION LEADERSHIP . . . . ***Improving, say slightly more than half the presidents surveyed—but others deplore growing militance.***

THIS YEAR'S contract bargaining may be the toughest since World War II. Labor is strong, determined, and, in some cases, running scared. Management, strengthened by recession economies and improved productivity and profits, is set to meet labor's demands with aggressive counterproposals—and it has no intention of giving something for nothing. How hard management plans to bargain this year, and what kind of outcome it anticipates, is clearly evident in the findings of a new DUN'S REVIEW survey of top company presidents.

This year, a crucial talking point on both sides of the bargaining table is productivity. In 56 per cent of the companies surveyed by DUN'S REVIEW, output per manhour climbed 5 per cent (median) last year. This is almost double the 2.6 annual rate of increase between 1947 and 1957. Some economists are now insisting that output per manhour is an inadequate and inaccurate measure of productivity, since it gives an upward bias to human productivity and disregards the size and accelerating speed of gains from capital investment.

Automation, mechanization, and better equipment, say the presidents surveyed, contributed twice as much as any other single factor to last year's productivity gains. Many also give credit to better planning and controls, closer supervision, and better work attitudes. Companies reporting no significant productivity gains last year —about 40 per cent—blame reduced output or say their productivity was already high as a result of previously installed modernization or cost reduction programs.

Looking ahead, the presidents as a group expect their companies to achieve steady, though in most cases less dramatic, productivity gains over the next five years. In fact, the respondent companies expect to chalk up an over-all average increase of 10 per cent by 1964. Nearly 44 per cent of the companies, individually, expect to score productivity gains ranging from 15 to 40 per cent.

Management would like to hold any wage increases at or below the level set by productivity gains, but is

Profile of the Panel Companies

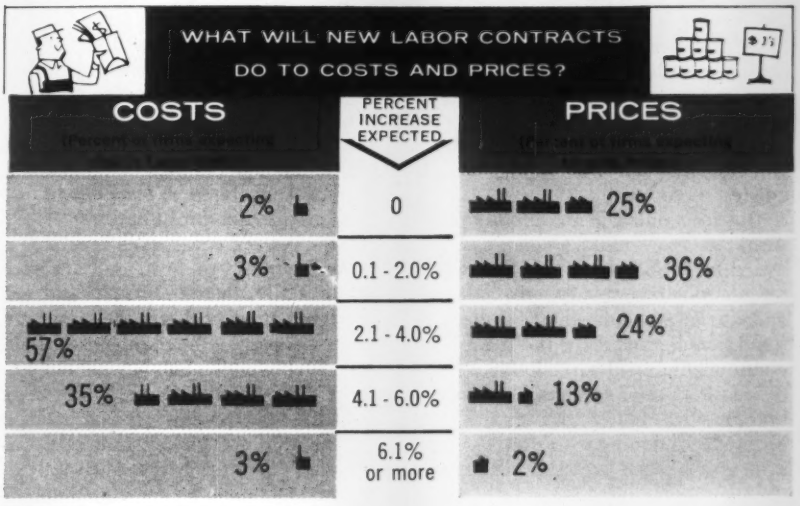
With this survey report, presidents of 175 U.S. industrial corporations (see list on page 78) begin participating in the third year of the DUN'S REVIEW Presidents' Panel. These companies represent more than $23 billion in total assets and more than $32 billion in annual net sales.

The typical Panel company (an average) has fifteen domestic plants and 10,400 employees. More than seven out of ten of the companies are among the 500 largest industrials in the United States.

They represent all the major industries, from space technology to chemicals and food.

not completely hopeful that it can. Despite tough bargaining, presidents expect their next contracts to boost wages about 4 per cent. This will apply to at least the 80 per cent of the hourly paid workforce that is unionized in the typical company participating in the survey. And if past experience is any guide, many companies will grant comparable pay and benefits to non-union employees.

Not all the increased labor costs will be compensated for by price increases. Competition, here and abroad, is expected to put a ceiling of slightly more than 2 per cent on any upward revision of price tags. In fact, exactly one out of four companies anticipates holding prices at current levels despite contract cost boosts.



Fringes and freedom

More than half the presidents expect fringe benefit costs, which now stand at 20 per cent of labor costs in the typical company surveyed, to creep up by as much as three cents in the next contract. Others feel companies fringe payments will either stay at their present level or will rise proportionately with wages.

The one contract issue on which the presidents are determined to fight hardest is "management's right to manage"—mentioned by nearly six men in ten.

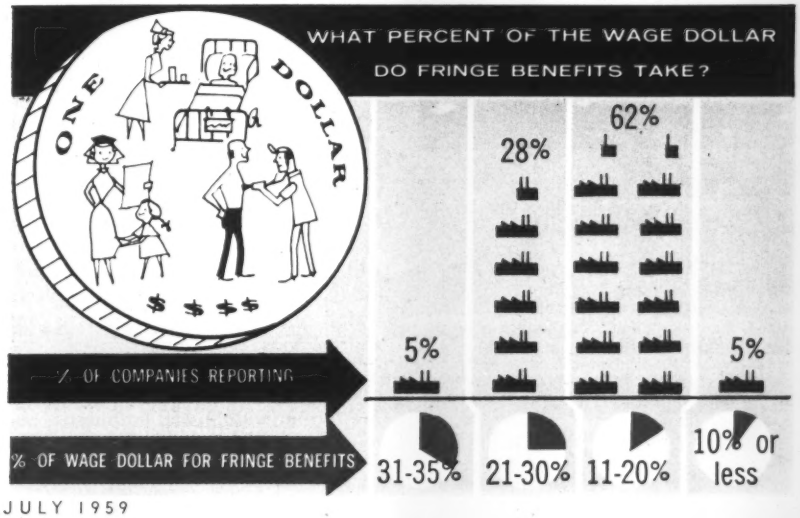
These presidents say they are determined to hold the line on contract issues that would "seriously interfere with the responsible functioning of management responsibilities, discretion, judgment, and initiative." They want full freedom to select and hire workers by individual qualifications and ability; to promote on merit; and to assign and transfer on the basis of company need. This includes, say the presidents, a free hand in establishing incentives and work standards; in job evaluation; and in making workload and reassignment decisions unhampered by any obligation to secure union approval. Restrictive labor practices (especially featherbedding), rigid seniority rules, and obstacles to free subcontracting will be under severe management fire in this year's contract talks.

Backgrounds for bargaining

The urgency of these issues for both sides is brought into sharp relief by the facts of today's economy. Gross national product, now at an all-time high, has raced ahead this year four times as fast as re-employment—and current output exceeds that of five years ago although the number of production workers in manufacturing is down from 1954. Unions (with the possible exception of the Teamsters) see membership declining, and top management is worried about foreign competition's inroads on its own world and domestic markets.

Although no Federal legislation on a shorter workweek is imminent some economists believe that the growing problem of technological unemployment is bound to bring the subject into the spotlight. Right now, though, the presidents believe unions are talking up a shorter workweek mainly for bargaining leverage. Nevertheless, about six out of ten presidents expect the workweek to shrink—commonly, by about 10 per cent within five years. These men consider a shorter workweek the inevitable result of an irreversible trend which has been accelerated by automation.

The remaining four in ten presidents think any major contraction of the workweek is far ahead.



Security: a moral question?

More urgent on the bargaining front at present are union demands for more worker security, in such familiar forms as guaranteed annual wage clauses or company-paid supplemental unemployment benefits. But the moral obligations involved in displacement and layoff—who owes what, how much, to whom, and when—are often cloudy.

Industrial leaders in the DUN'S REVIEW survey make sharp distinctions between what management *can* and *ought* to do in answer to this "moral question posed in an economic context." In a free economy, many presidents point out, business cannot con-

trol or create its own climate, markets, and demand. And it is neither able nor willing to provide mass social welfare to displaced or laid-off workers. As one president puts it, typically, "You cannot guarantee worker security without profit security."

But four out of ten company presidents believe management has one overriding obligation to the workforce: to make every effort it can and use all available tools to provide steady employment for the manpower it can profitably absorb. It is generally believed that the company must commit itself to "better production planning; use of overtime to meet production bulges; and building inventories during slacker periods."

When the chips are down, of course, management frequently feels it has fulfilled its obligation by living up to the letter of the contract in layoff cases, and many presidents point out that corporate taxes, after all, do support Government unemployment benefits. (A few of the presidents are convinced that the state and Federal Governments should increase these benefits.)

Displaced workers rate help

But when automation, new efficiencies, or technological improvements actually eliminate some jobs, does management have any obligations to the displaced workers? More than nine out of ten presidents say "yes."

One comment fairly states the consensus view: Management has an obligation "to offer opportunities for retraining, if employees can be upgraded to operate new equipment, and to phase changeover to cause the least possible actual suffering on the part of the workforce involved. Generally, the dynamics of our expanding American economy take care of this." Other presidents feel that their main duty is to provide advance notice of coming changes or simply let normal attrition trim the workforce down.

A number of presidents point out that union cooperation is needed if management is to train and transfer workers to other or newly created jobs; and that workers, too, must be more adaptable to change, training, and new assignments. Some presidents believe their moral obligations extend to helping the displaced find work in other companies. On the other hand a small but rather bitter minority argues that unions bargained the worker into the jam and it's their job to extricate him—with tax-supported Government benefits bailing out the real hardship cases.

Offstage negotiators

Despite their outspokenness on all these issues, most of the Panel presidents prefer to remain in the background during actual bargaining.

Occasionally, the company president believes it is a continuing part of his job to make his views on contract issues known to the public, employees, and labor. But seven presidents out of ten feel that in a big company with a team of trained negotiators, the chief executive serves company interests best by keeping silent and staying behind the scenes. About two men in ten believe that the president should speak out freely on the principles and policies behind the company contract offer.

Management spokesmen have repeatedly suggested that wage pressures may soon force many companies to relocate in lower labor cost areas in the United States or overseas. But the DUN'S REVIEW survey findings suggest that widespread moves of this sort are not likely within the next five years.

Well over half the men say plant-moving day is remote indeed. Wage costs, they observe, are only one factor in any relocation decision. Through much of the reasoning, too, runs a vein of prophetic realism: Relocation would only defer, not eliminate, the problem.

But about a fifth of the companies, often with over-all expansion or modernization in mind, are weighing the advantages of relocation and exploring specific possibilities.

One-fourth of the presidents say that some plant relocation is "likely" by 1964. But this does not necessarily imply abandonment of current facilities. Plants overseas may be necessary to sell competitively in foreign markets. Relocation domestically will be considered in relationship to markets, changes in technology, or natural growth.

The white-collar question

In addition to checking the growth of the productive workforce (between 1947 and 1957, industrial production rose 40 per cent while the number of production workers barely rose at all), the spread of automation is also expanding the white-collar and professional workforce. Already the unions, with declining memberships and too few unskilled jobs to absorb the older, the younger, and the marginal workers, are launching new drives to organize the growing group of white-collar and professional employees.

How successful will these union efforts be? Fully 40 per cent of the presidents surveyed believe that organization of these employee groups will make little appreciable headway. About as many more think the unions' success will be spotty or partial. The rest—one in five—think the unions will succeed substantially, especially among clerical employees, in concentrated industries, urban areas, and routine jobs.

On the whole, management seems convinced that white collar workers are too individualistic, ambitious, and "management-minded" to fall for the

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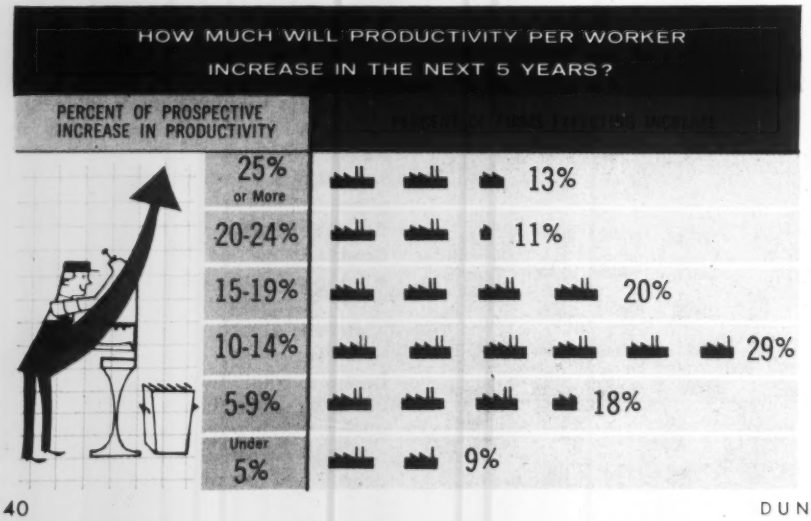


GEORGE ROMNEY SPEAKS OUT

The phenomenal sales gains being chalked up by American Motors support the conviction of its dynamic president that there's still room for enterprise in a big-business era. In this candid interview with Dun's Review, Romney reveals the philosophy behind his success as an auto maker—and his prescription for healthy economic growth.

Needed:

New Ground Rules for Competition

Q Mr. Romney, the spectacular pace your company has set in the past year or two certainly qualifies you to speak as an expert on company growth. What in your opinion are the biggest obstacles to corporate growth today? What forces may be operating today to limit the future growth potential of your own company and of industry in general?

A I don't see any imminent limits to the growth potential of American Motors. We're in the automobile business and the appliance business, and there's nothing to prevent us from engaging in other businesses if we elect to do so. I think our growth potential depends upon our ability to generate the economic forces that make for industrial growth, and I think we have demonstrated our ability to use those forces to our advantage. I don't see any limit on the growth of any enterprise in this country, other than what I think are proper legal restrictions to prevent growth and dominance of the market from reaching the point where they constitute a legal monopoly.

Q At what point does a company really become a monopoly?

A Well, that isn't very clear from present interpretations of the antitrust laws. Instead of prohibiting monopolistic power, you see, they prohibit the use of that power with the *intent* to monopolize. The difficulty comes in having to prove intent. Some companies are inclined to restrain their competitive effort and growth after achieving a point of industry dominance, for fear they will find themselves in legal difficulty with the Government.

I think the antitrust laws need to be amended to

complete the competitive principle on which they're premised. In my judgment, you need at least four or five companies in a basic industry to give the customer adequate choice, and once you get down to that minimum as a result of the operation of the competitive principle, you need to amend the antitrust laws to provide for economic birth as well as for economic death.

The one way some of our largest and most successful enterprises can continue to grow is for the antitrust laws to provide that, when they reach the point of dominating a market, they will voluntarily propose a division that will establish a new competitor in the industry. One company conceivably could become the parent of all the companies producing the products of a total industry, but they would be separate companies and competitors.

Q You don't believe, then, that giant corporations are literally indispensable to our economy—for example, for national defense or major research?

A The proposals I have made are not an attack on bigness *per se*. We certainly need large enterprises to make maximum use of current technology and to undertake large-scale research and development. On the other hand, I think some of our ideas about the efficiency and economy and consumer benefits that come from excessive size are no longer correct. For instance, many people think that the consumer benefits in some way from a single company producing 3 to 4 million cars. The fact is that, with today's production methods, a company can produce 400,000 automobiles a year just as efficiently as it can turn out 4 million.

As far as national defense and major research programs go, many of our largest projects are now conducted on a joint basis. A number of missile programs and space projects are being handled by teams of companies. The same thing is true of many important research programs. Some of our largest research centers are able to do more effective work as a result of support from many companies.

Q To get back to your birth principle, how big do you think a company can efficiently become in terms of production, assuming an unlimited market?

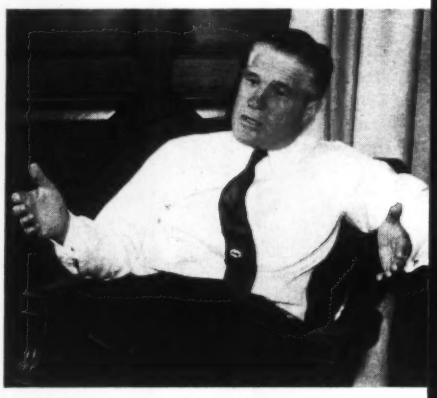
A Well, look, I think competition is an essential ingredient of efficient production. In the automobile industry, I'm convinced that when any company does more than 35 per cent of the total automobile business, it should be split into two companies in order to preserve an adequate number of competitors within the industry. Now, if you use 35 per cent as the limit, that still only assures three companies in the industry. I have also proposed that if a company is in more than one basic industry and, therefore, has a stronger potential for economic domination, the limit should be lowered to 25 per cent.

Q Would these percentages vary, in your opinion, for other industries?

A They might. I think Congress should investigate the problem and set sound percentages. And I think that 35 and 25 per cent are about right.

Q Wouldn't the big company just taper off on growth as it approached the statutory share-of-market limit you propose, rather than be forced to spin off a new competitor?

A No. I think under the birth principle, big companies would be less inclined to restrict their competitive effort than they are at present when additional growth can result in punitive action by the Government. In my opinion, the building of a company to the point where it can become



the parent of more than one enterprise should become a widely recognized industry achievement. That would encourage growth and not stifle it as our present laws tend to do.

Q Your own company is conspicuously successful now. What are you planning to do to keep that success from becoming entrenched?

A One of the things we're doing right now is recognizing that we are battling some very competent organizations to achieve the degree of growth we want in the automobile and appliance industries. We have a long way to go before we are as large and successful as they are, and I think that's going to keep us on our toes for some time to come. Nothing would give me greater satisfaction than for the company to grow to the point where it could voluntarily go through the birth process I've described.

Q Aside from amending the antitrust laws, what other measures do you think the Government could take to give small business a fair competitive chance?

A Well, I think our national economic policy needs to be balanced, and the conflict between the labor laws and the antitrust laws needs to be eliminated. The labor laws are premised on the idea of monopoly and permit the concentration of union power without restraint. On the other hand, the antitrust laws are premised on the concept of competition. It is fundamental to the future of smaller enterprises that the labor laws be rewritten to disperse this monopolistic union power. As it is now, the smaller and less successful companies and industries are being compelled, broadly speaking, to conform to what the most profitable concerns are in a position to pay.

Another aspect of public policy that operates to the disadvantage of smaller enterprises is the tax code. The tax laws as applied to business put a premium on merger and integration—in other words, the use of earnings for capital expansion, rather than for procurement of supplies from suppliers. They also encourage the expenditure of earnings for research and development to increase the company's ability to make instead of buy. The Government, in effect, is subsidizing the large enterprise and encouraging it to eliminate the small specialty supply company.

I also think it's unsound public policy for the Government to foster and promote the growth of the largest companies in this country by placing the bulk of its defense research and development money with them. It seems to me research of this type should be conducted on an industry-wide basis that would give more companies access to the commercial applications that result from defense projects.

Q Would you say that you're against any large concentration of power as a basic premise?

A I believe the essence of the American approach to political liberty and economic liberty and individual growth is the dispersion and division of power. But in recent years, as a result of the operation of the competitive principle with no provision for economic birth, we've built heavy concentrations of power in most of our basic industries.

And, as a result of the effort in the 1930's to bring about a better distribution of economic power by fostering the organization of workers without any restraints, we have today an even greater concentration of union power.

A man like Hoffa, you know, could really shut the country down if he wanted to. That's why I say we must again divide and distribute economic, social, and political power in this country if we're going to have the dynamics that will produce future growth. END

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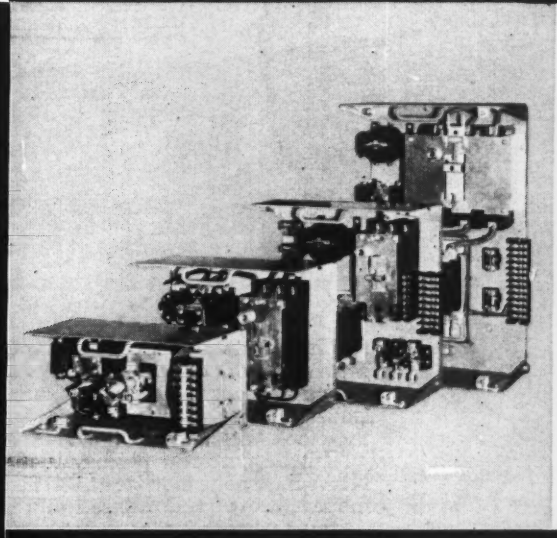

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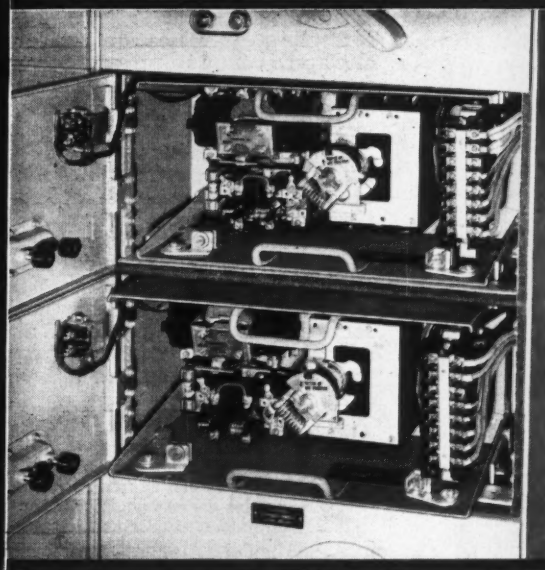

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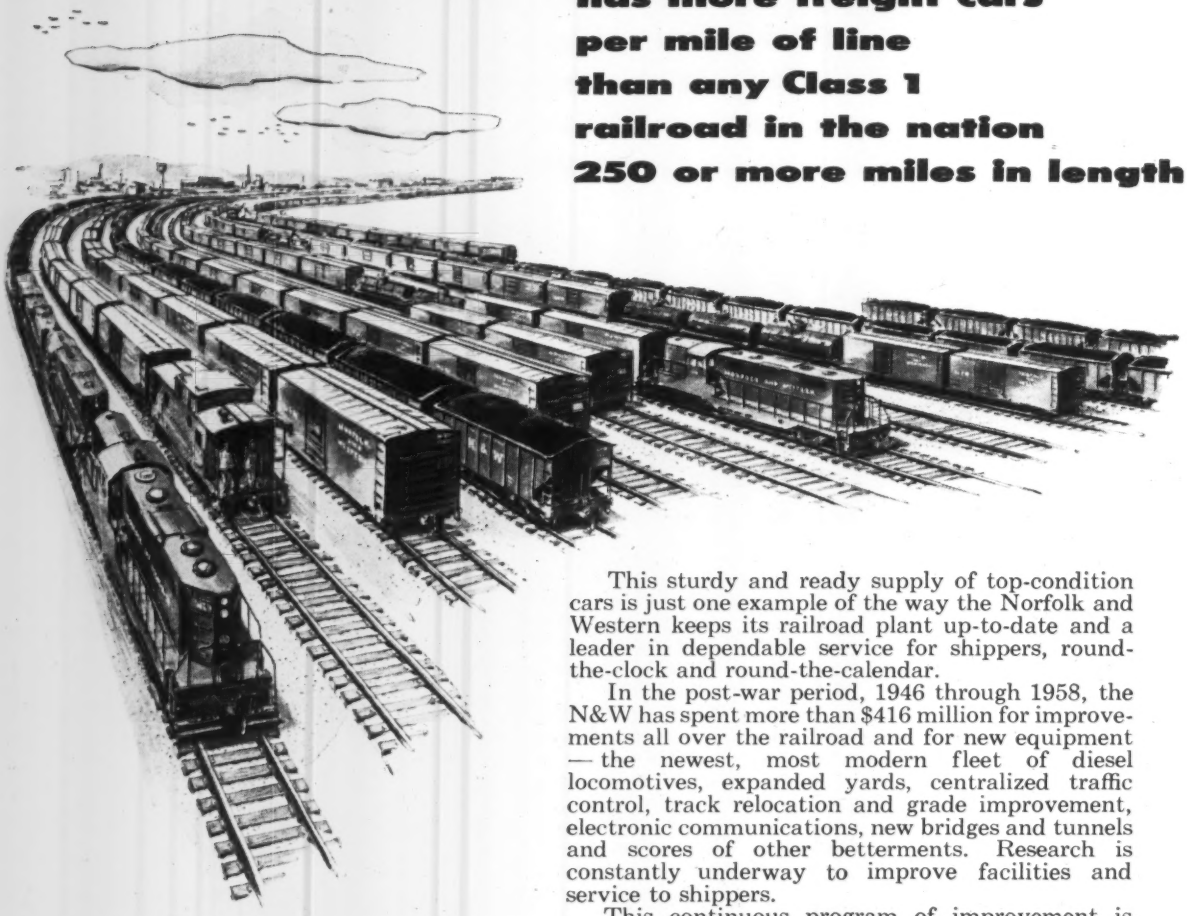

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Free Enterprise by Moonlight

MORE THAN 3 million Americans lead double lives. Although this statistic isn't so sinister as it sounds, it does bother management. And lately unions, too, have taken an unromantic view of the growing number of "moonlighters"—workers who hold down two jobs.

Altogether, these busy industrial Joes and Janes amount to only 5 per cent of the workforce. But that number is likely to increase if labor wins a shorter workweek. At least, that has been the experience of the rubber industry in Akron, where the six-hour day has been in effect since World War II. Instead of lolling in the lap of leisure, more than 25 per cent of that industry's employees punch out their time clocks in mid-afternoon, grab a snack on the run, and then punch in for a work stretch with another outfit.

Moonlighting poses a double dilemma to management. What a man does after hours on his own time is, technically, none of the boss' business. But when a worker drags into the plant dog-tired because he is putting in twelve or fourteen hours a day chasing the extra buck, the employer is naturally put out. And he's got even more cause for concern when a moonlighter's second job is with a competitor.

Here employers feel justified in cracking down. Though few hourly workers are privy to any corporate secrets, there is plenty of rumor juice flowing through the normal grapevine of every company. The prospect of an employee's becoming a channel of gossip to a rival organization is disconcerting, to say the least. Yet, when management invokes the discipline procedure against double-jobbers who take after-hours assignments with competitors, it can't always be sure of making the punishment stick. Consider this case where moonlighting was an arbitration issue:

One evening, while walking home, a supervisor of the Mechanical Handling Systems, Inc., Detroit, noticed one of his workers entering a competitive plant.

After a warning that the company considered this arrangement unethical, the worker decided to give up his part-time job. But management still felt the employee should be given a dose of discipline, and it issued a warning slip which went into the employee's personnel file. The ex-moonlighter complained about the reprimand because he felt it might stand in the way of a merit raise. Management refused to rescind the warning, and the case came up to arbitration. Management's position was:

- Working for a competitor is a breach of "employment ethics."
- We spent a lot of money training the employee, and the competitor used his skills part time.
- Though we have no proof the employee gave away any secrets, there is always that danger.

The worker argued that, as long as an employee does a good job, the company has no control over his outside activities. The issue came before Leonard A. Keller, a veteran arbitrator, and his award laid down some important guiding principles. He said:

> As a general statement it is true that an employee has a right to govern his private life. However, where the misconduct is related to the business of the employer, the power to discipline is upheld. Outside employment might be forbidden where it is proved that, as a result, the quantity and quality of the employee's work has deteriorated or that outside work has caused frequent absence or tardiness or in some other way was a disadvantage to the principal employer. In this case, the possibility of conflict in loyalty does exist. Work for a competing company tends to breed suspicion and distrust and destroys the confidence and sense of cooperation between employer and employee.

In another case, the employer didn't fare so well. Management of the Branch River Wool Combing Company, Woonsocket, R.I., fired one of its top maintenance people when he refused to quit working part time for another company. At arbitration, the worker argued:

- What I do on my own time is my own business.
- I have no access to secret or confidential information.
- You have no rule against working for competitors. It's been done for years. Why pick on me?

The company was unimpressed. It told the arbitrator:

- We have no rule, but we can make one.
- True, he has no access to confidential information, but we don't want to have to talk in whispers when he's around.

Arbitrator Paul Pigors saw nothing

Revolutionary New Kelley

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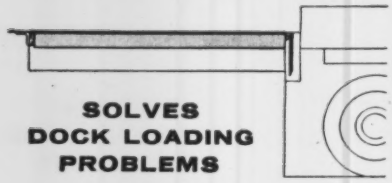

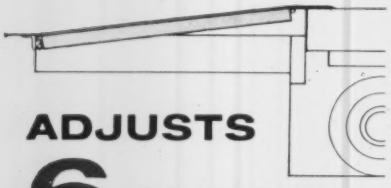

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wrong with moonlighting in this case: "With no established rule against dual employment and without evidence that the employee failed to measure up to his responsibilities, this arbitrator can only conclude that the dismissal was not for just cause. The worker should be reinstated with all his rights restored."

Another aspect of the problem is the difficulty of ferreting out the moonlighters, who are usually pretty mum about their after-hours jobs for several reasons. First, they have a well-founded hunch that their primary employers look askance at the practice. And they know they risk the taunts of unionized co-workers because on second jobs they often work at rates of pay lower than the prevailing scale. Also, there are those who take jobs that bring discredit on their daytime employers. For example, there's the case of the route salesman for a baking company whose job called for contacts with the public and a posture of sobriety and neatness. Yet he took a night job as bartender in a seedy saloon. The company acted when it began to get complaints.

Although the unions have supported the employees in individual grievances, it cannot be said that labor's top leadership sanctions moonlighting. In fact, a growing number of

Across the Bargaining Table

Automation Kitty: Unions continue to push for compensation for employees who lose their jobs because of technological developments. The Longshoremen and Warehousemen's Union on the West Coast has come up with a formula which has been adopted by other unions as a basis for bargaining on the automation issue. Under the plan:

- a calculation is made to determine how much work one man could handle in an hour under the old method.
- a calculation then is made to determine how much work a man could turn out by the new method with the aid of new equipment.
- for each hour saved by mechanization, the employer contributes an hour's straight time into a fund for a period of a year.
- at the end of the year, the money in the fund is distributed as severance to employees replaced by machines.

Long Weekend: Coming into vogue in bargaining contracts are provisions for four-day weekends. At Diamond Alkali Company, Cleveland, Ohio, the Friday before Labor Day is listed as a paid holiday so employees can have a four-day stretch of no-work-with-pay. A new twist is the recently signed agreement between The Evinrude Corp., Milwaukee, and the United Steelworkers. The eighth paid holiday is listed this year as July 7, giving workers a four-day weekend when combined with the Fourth of July holiday. The contract also says the workers may have free use of the company product—outboard motors—for a floating holiday.

Snow Time: To encourage workers to take their vacations in the winter time, a brewery products company gives an extra week to those who choose the cold months for their rest and recreation.

Kid Check: At National Sugar Refining Company plants an agreement between company and the United Packinghouse Workers provides that phones will be installed in women's dressing rooms so that working mothers can keep tabs on their kids.

Those Extra Hours: Overtime is coveted by employees. Goodall Rubber Company, Trenton, N.J., caters to this desire by promising in its union pact not to hire any part-time workers until regular employees have been "overburdened" with overtime.

Good to Be Born Dep't: Employees at the Detroit stores of Sears Roebuck and Company have been granted a paid holiday on their birthdays.

Demand: The Office Workers Union is pressing its newest wrinkle in collective bargaining—the company is required to pay employment agency fees for new workers.

Nice Gesture: Employees of the ITE Circuit Breaker Company, Philadelphia, may donate their unused sick leave pay to fellow workers with a long disability.

locals are incorporating into their by-laws rules against dual jobs. But even this hasn't halted the trend.

"Moonlighting is wrong," says Benjamin Wyle, counsel to top AFL-CIO unions. "The whole purpose of the labor movement is to fight for shorter hours so the worker can enjoy his leisure. The fellow who has two jobs is a hindrance to the union movement."

But active moonlighters take another view. "What's wrong with being a go-getter?" one of them demanded the other day. "Look at that new vice president of ours. I read in the employee paper how he was a real hustler—held down two jobs of his own when he was starting out. That's free enterprise, and I'm all for it!"

Personnel Slants

Tax Tidbit: Holiday gifts for employees have received a boost from the Internal Revenue Department. Under a new ruling, hams, turkeys, or other merchandise of nominal value distributed as holiday presents to workers are now deductible as a business expense. Also, such gifts are no longer considered to be wages subject to income tax withholding.

Language Lesson: Scientific Russian is now a fringe benefit at Stromberg - Carlson, Rochester, N.Y. Thirty scientists and engineers have signed up for the company-sponsored course.

Incentive: The employee who contributes the best suggestion in any semi-annual period receives an extra week's vacation with pay from The Bank of California (San Francisco).

Hard Sell: At the Detroit Edison Company, any worker who turns in the name of a prospect for an electric water heater gets $3 if sale results. Management doesn't trust to luck, either. It provides each worker with a sales kit.

Pssst: The grapevine is still the number one communicator in industry. A survey by Virginia Carolina Chemical Corp., Richmond, Va., revealed that 28 per cent of employees get information about corporate affairs from the rumor mill. The employee paper ran a close second with 26 per cent, supervisors a poor third.

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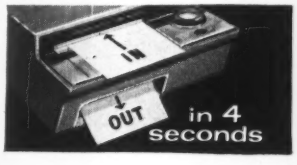

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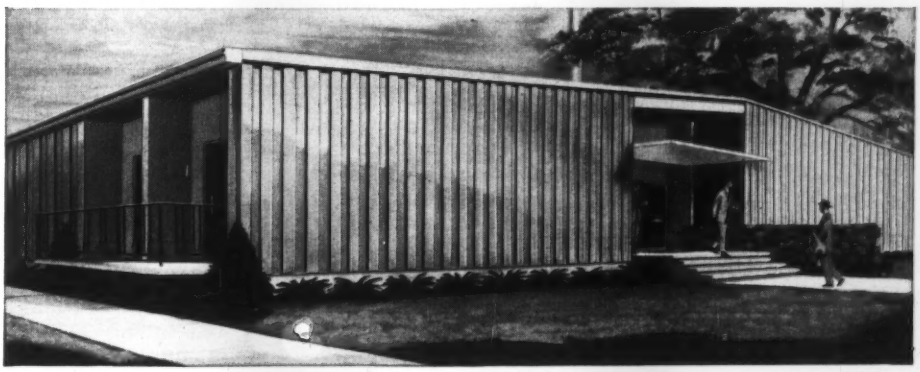

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Manufacturers of Metal Buildings • Equipment for Farming, Oil Production and Transportation, Outdoor Advertising • Contract Manufacturing

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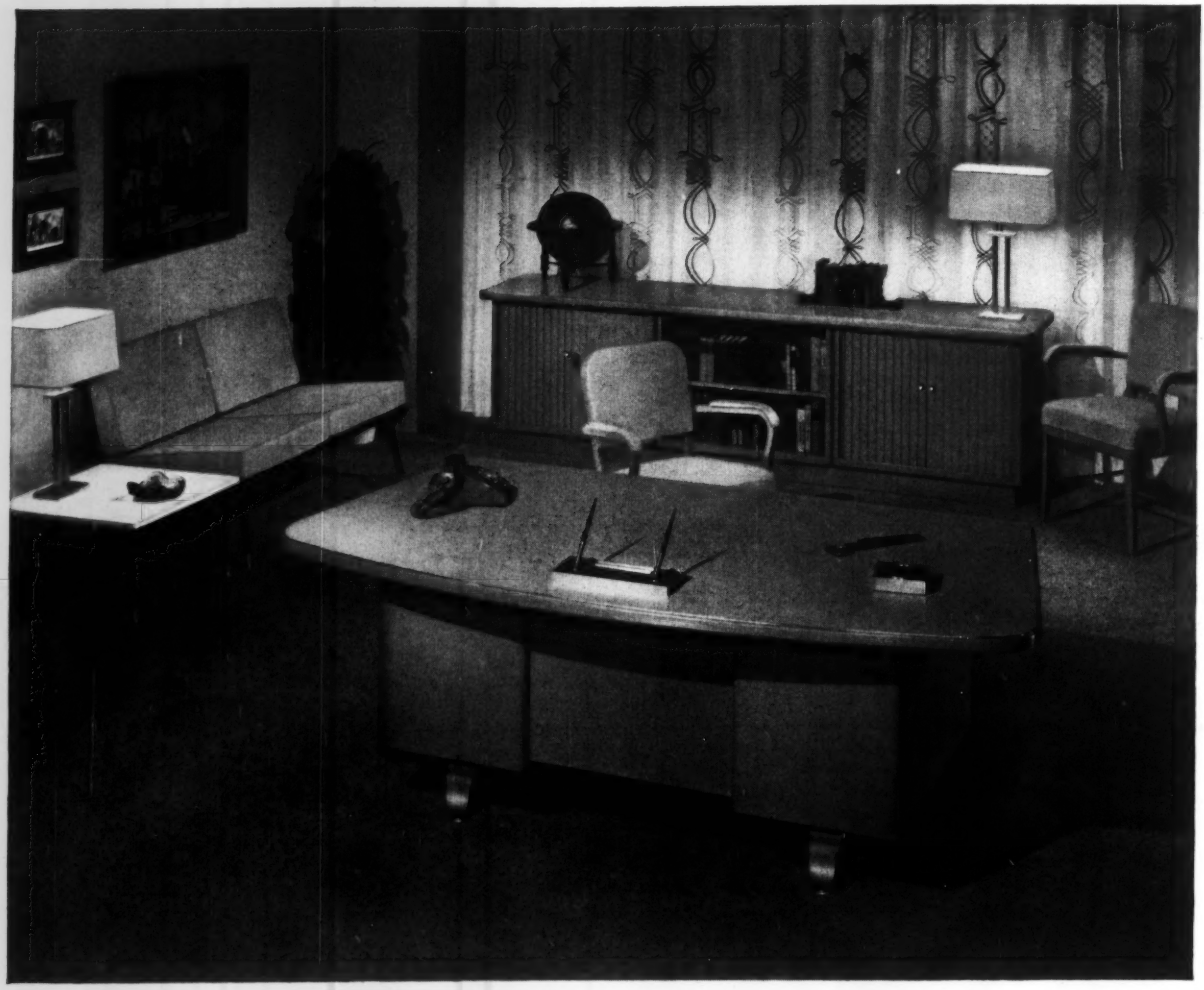

your company is judged by the office you keep

This Cole Steel office affords a discriminating setting combining luxury with efficiency, comfort with quiet good taste. Desks, credenza, settee and chairs harmonize in texture as well as color . . . and are constructed to last a lifetime. Here is but one example of how Cole Steel office furniture creates the office you want... the impression you want to give.

Cole Steel gives you the distinctive atmosphere that reflects the character of your organization, and makes your office an inspiring place to work. See for yourself why Cole Steel is so far ahead in the office equipment field. Send for our FREE color catalog . . . today. Cole Steel Equipment Co., Inc., Dept. 39, 415 Madison Ave., New York 17, N. Y.

COLE STEEL

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IDEAS at Work

Ask the Man Who Made It

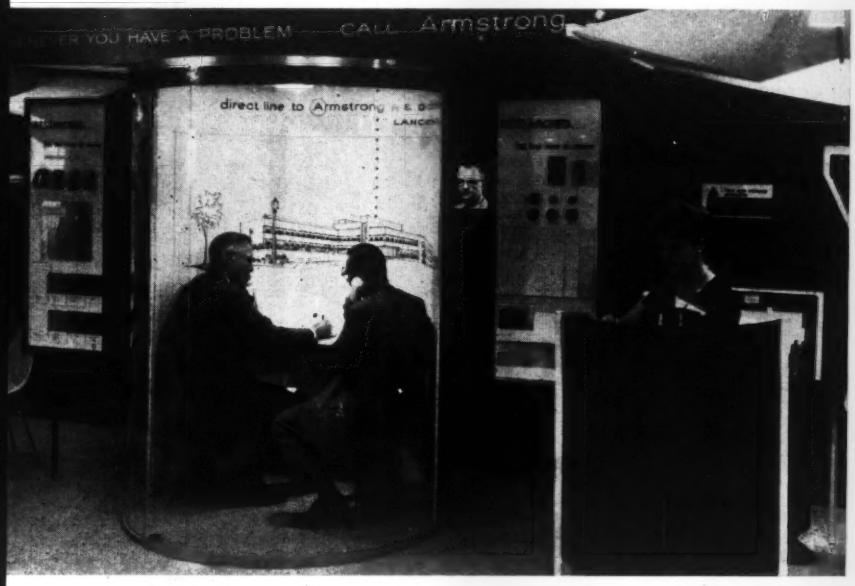
A solution to the problem of answering the highly technical questions about specific products posed by visitors to industrial exhibits has been found by the Armstrong Cork Company's Industrial Division.

A special plastic telephone booth (see photo below) with a direct line to Armstrong's Research and Development Center in Lancaster, Pa., was installed at the company's exhibit at the Design Engineering Show in Philadelphia recently.

Visitors with inquiries too tough for the salesmen manning the exhibit to answer were invited to step into a booth, pick up the telephone, and speak directly to the research man responsible for the product in question.

A panel of photographs of Armstrong's top R&D staff was placed near the booth. The operator who placed the call flipped the switch lighting up the photo of the individual being called, giving the visitor the feeling of a "face to face" contact.

Armstrong's salesmen pronounced the booth a great convenience and crowd pleaser.



Salesmen as News Hawks

If your public relations department could use some trained "leg men" to help it gather news about your customers, your product, or your company, why not recruit your sales force for the job?

The idea works like a charm at Visking Company, Chicago, a division of Union Carbide Corp., where 40 salesmen of the Plastics Division are asked to keep their ears open for news tips while calling on prospective customers for Visking's polyethylene film.

When a salesman comes across a new film use or an interesting application he thinks might make a good trade publication story, he sends a memo outlining the idea to the division advertising manager. If the idea is acceptable, the salesman is asked to follow through and get all the facts and photos possible. The completed story written by the public relations office is approved by both the customer and Visking before it is released.

A clipping of the story is given to the salesman to show to the customer as proof that Visking is on the job for him. Finally, reprints of the stories are assembled into brochures, by industry, and supplied in quantity to the salesmen, who use them to show prospects how polyethylene film can be used in their industries.

The 40 salesmen submit an average of ten application ideas a year. About 15 per cent of these have news value and provide some 60 publicity stories that might otherwise never have come to light.

Everybody profits. Prospects get ideas, customers get publicity, salesmen get sales tools, and Visking gets the credit—and, often, new customers.

When "Lobbying" Pays Off

Looking for a better way to tell people where you are and what you do? Don't overlook the busy lobby of your executive offices building.

The Hertz Corp., for example, has installed a large, glassed-in bulletin board in the reception area of its Chicago headquarters to keep visitors and employees up to date on the operation of the company's fleets of for-hire cars and trucks and the activities of its divisions and subsidiaries.

The board is 5 feet long and 3½ feet high. Changeable white numerals are used against a black background. The monthly statistical report is posted on the board regularly by the president's staff.

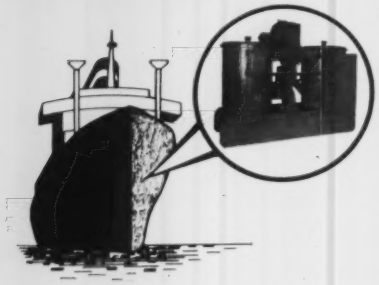
Now Hear This!

How does a company light the spark of enthusiasm in middle and lower management and give line employees a real sense of participation in company affairs? The Worthington Corp. of Harrison, N.J., has attacked this age-old management problem with effective, up-to-the-minute communications techniques.

Through a special closed-circuit telephone hook-up and tape recordings, Worthington's recent annual stockholders' meeting was brought to employees in 52 offices and plants in the United States, Europe, South America, and Japan.

More than 2,000 foremen, salesmen, researchers, and plant managers, who could not be pulled out of their work locations even to attend regional meetings, heard addresses by the company's two top executives

FOR SHIPS . . .



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NO MORE MESSY LABELING!

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CLEAR VINYLITE PLASTIC

SO EASY TO USE

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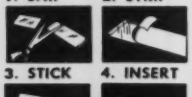
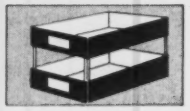


3. STICK 4. INSERT



HUNDREDS OF USES

You can enjoy neat, attractive labels anywhere in office, factory, store or home. on desk trays • display units • storage shelves cabinet drawers • parts bins • library shelves

STANDARD SIZES
½" x 6" • ¾" x 6"
1" x 6"

Packed 2 or 10 strips to a package. (Strips 6" long.) Available in other widths — Special sizes and widths on request.

COLORS AVAILABLE
Amber • Blue
Green • Red • Yellow

Sold through Stationers only—or write

Office Products Inc.
26029 W. 8 Mile Rd. • Detroit 40, Michigan

without having to leave their posts.

Direct broadcasts were piped into sixteen plants. Tape recording of the same speeches were prepared in advance so that employees in 24 smaller sales offices and twelve foreign plants could hold their meetings simultaneously. The cost of carrying the 30-minute messages was under $1 a person.

After listening to the proceedings of the New Jersey meeting, each local office held its own "annual meeting" at which plans for the specific areas were discussed. The local management groups, in turn, relayed the information to the rest of Worthington's 13,000 employees.

Staff Replacement Depot

Here's a plan that companies with one or more branch offices or plants might adapt to make sure of having enough qualified replacements to throw into the breach when vacation time rolls around or absenteeism takes a heavy toll of regular employees.

The National Bank of Detroit maintains a pool of full-time, specially trained employees who can fill in at any position from manager to clerk in any of the bank's 64 branch offices on a moment's notice.

The first step in setting up the program was to determine the required number of relief personnel by studying the pattern of absenteeism. (To insure full utilization of the relief staff, the bank requires that vacations be spread over the entire year and that not more than 10 per cent of its regular staff take vacations at the same time.)

Next, people of varying abilities and experience were recruited from the branch staffs and replaced by qualified employees from the bank's training pool. A control card listing the name, job classification, home address, and telephone number was prepared for each person in the relief pool.

Each week vacation schedules are checked and assignment sheets are prepared. A telephone check of all branches is made each morning to find out where replacements are needed.

The bank thinks the plan is the most economical and efficient way to insure that customer service is maintained and work deadlines are met regardless of fluctuations in its workforce, for it eliminates overstaffing or doubling up.

Chair-borne Plant Tours

The newest twist on the increasingly popular idea of bringing the plant to the customer doesn't even require the prospective buyer to leave his desk.

By means of a pocket-size stereo viewer, several thousand purchasing agents across the country are taking a conducted "tour" of the Rolled Steel Corp.'s plant at Skokie, Ill.

This attention-getting kit is packaged in a leatherette case and is mailed to the purchasing executives. The outfit includes a folding viewer and a strip of stereo views of the plant, salesroom, and warehouse. No projector or screen is required.

The idea was conceived by President Seymour Waldman as a means of bringing his company closer to its customers. This was particularly important since Rolled Steel sells its products exclusively by telephone.

"Many of our customers never meet the salesman they deal with, much less have a chance to see our facilities. We hope the stereo presentation will give them a graphic idea of the supplier they are doing business with," Waldman explains.

Run Up the Flag!

Try this idea for putting your VIP visitors in a receptive mood: When an important customer visits the New Hampshire Ball Bearing Company plant at Peterborough, the flag of his home state is run up on the flagpole.

—C.K.

EXECUTIVE BOOKSHELF

Brief Reviews of New Business Books

Yardstick for Managers

MANAGEMENT FOR THE SMALLER COMPANY *edited by Elizabeth Marting. American Management Association, Inc., 1515 Broadway, New York 36, 399 pages, $9.*

An authoritative reference tool the manager of a smaller company can use to check his performance against the tested techniques of good management used by the 35 contributing executives and specialists in solving special problems of small business.

The Outlook for Capitalism

THE ECONOMY, LIBERTY, AND THE STATE *by Calvin B. Hoover. The Twentieth Century Fund, 41 East 70th St., New York 21, 445 pages, $5.*

A sweeping analysis of the whole range of existing political and economic systems leads the author to conclude that liberty is endangered less by collectivism as such than by encroaching state and institutional controls over the operations of our capitalistic system.

How the Scales Are Set

WAGE DETERMINATION: AN ANALYSIS OF WAGE CRITERIA *by Jules Backman. D. Van Nostrand Company, Inc., 120 Alexander St., Princeton, N.J., 316 pages, $6.75.*

A leading labor economist explains how wage comparisons, cost of living, budgets, productivity, ability to pay, and economic environment are being used as bargaining tools and how the resultant wage policies work out.

Finding the Time

STREAMLINING YOUR EXECUTIVE WORKLOAD *by Ray Josephs, Prentice-Hall, Inc., Englewood Cliffs, N.J., 203 pages, $4.95.*

A fast-paced collection of ideas of varying practicality for accomplishing more in less time and reducing the executive's "homework" burden.

Rx for Better Meetings

HANDBOOK FOR SALES MEETINGS, CONVENTIONS AND CONFERENCES AND HOW TO MAKE THEM WORK *by Joseph D. Cooper. National Sales Development Institute, 100 Garfield Ave., New London, Conn., 257 pages, $22.50.*

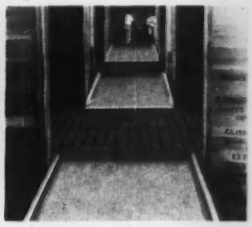
The wealth of tested, workable ideas in this comprehensive manual are designed to put profitability into sales gatherings.

when Magliners go to work . . .

LOOK WHAT HAPPENS–

A high bed carrier meeting a low level dock blends into a happy situation when a Magliner Dock Board-and-Ramp combination takes over. The dock board can be used independently for normal loading, or combined with the ramp to provide a longer, safer slope when needed.

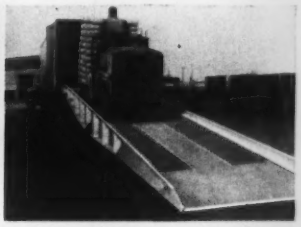
Tight turns into a carrier from a narrow dock are difficult and dangerous. But coming or going, Magliner Flared Dock Boards make these sharp, right-angle turns easy—with most of the turn made right on the board! Magliners are rugged and tough . . . stand up under the heaviest loads!



No loading or unloading tie-ups with Magliner Car-to-Car Access Boards. Loads move swiftly, safely, surely from loading dock to farthest outlying railcar. Demurrage costs are reduced . . . delays eliminated! Hard-to-get-at railcars are easily reached with Magliner Car-to-Car Dock Boards on the job!

Magna-Lum T. L. Plates return big dividends from a small investment! Made of high-strength, light metal alloy, these rugged Truck Loading Plates safely handle axle loads up to 4,800 lbs. . . . give fast, efficient loading at minimum cost!

Extra-wide spans, like this one over a railspur, require a dock board of extra long length. When they get this long we call them Magliner Movable Bridges. Quickly installed without altering existing docks or floors, the bridge is easily moved when necessary! Many standard sizes to meet a wide range of requirements.



Ground-level loading was the problem here. Unloading a truck or railcar took 3 men and a power truck . . . required 30 minutes to an hour. Now, one man with a Magliner Mobile Loading Ramp handles the entire job in half the time! Easily moved where and when they're needed, Magliners keep loads moving from ground to carrier smoothly, safely—economically!

Though the problems shown above are individual and different, they have one thing in common. Each was solved by putting a low cost Magliner magnesium dock board, bridge or ramp on the job. Additional on-the-job information is contained in Magline's Bulletin DB-204 "Difficult Dock Problems and How to Solve Them". Send for your copy today!

MAGLINE INC.
P.O. Box 37, Pinconning, Michigan
Send Bulletin DB-204.

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Canadian Factory: Magline of Canada Limited, Renfrew, Ontario.

MAGLINER MAGNESIUM DOCK BOARDS

We raised sales 10% with USS "T-1" Steel

The Drott Manufacturing Co., Wausau, Wisconsin, makes front-end shovels for crawler tractors. Customers want the largest capacity bucket with the least weight to keep the machine balanced.

Edward Drott, President, says, "We went to USS 'T-1' Steel because we needed 40% more strength with 30% less weight than was possible with conventional materials. Payload was boosted by 1,200 pounds.

"The use of 'T-1' Steel enabled us to get the jump on our competition and we let our customers know, immediately, of the advantages of 'T-1' Steel by advertising extensively.

"At this point," Mr. Drott says, "we are one of the leading manufacturers of front-end shovels in the field. We attribute at least 10% of our sales volume to the successful application of USS 'T-1' Steel to our products."

Why not get the facts on how USS "T-1" Constructional Alloy Steel can help boost the sales of your products. "T-1" Steel's great strength (100,000 psi minimum yield strength) helps trim costly dead weight from all kinds of equipment, mobile or stationary. Its outstanding resistance to impact abrasion, when furnished to 321 minimum Brinell hardness, increases service life as much as 10 times in abusive applications. USS "T-1" Steel stays strong and tough down to 50° below zero—and it is weldable and workable, too.

Write for our booklet, USS "T-1" Steel, United States Steel, 525 William Penn Place, Room 6016, Pittsburgh 30, Pennsylvania.

USS and "T-1" are registered trademarks

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Columbia-Geneva Steel—San Francisco
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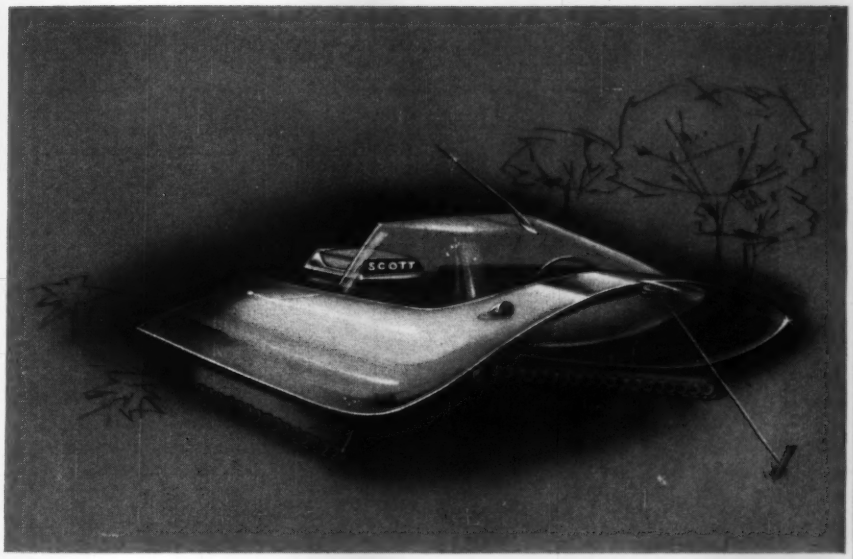
United States Steel Supply—Steel Service Centers
United States Steel Export Company

United States Steel



CONVERTIBLE CAT: *This amphibian catamaran-type outboard rolls right up on the beach. Among a large group of futuristic outboards dreamed up by McCullough Corp. to promote its "Scott" outboard motors, this one is the closest to possible production. Company officials say the biggest return on their futuristic program is projection of a favorable corporate image.*

Organized Dreaming:

How Futuristic Models Pay Off

EVER since Leonardo Da Vinci started the ball rolling, man's fascination with futuristic designs has mounted. Today organized dreaming about new products has become such an established industrial activity that it rates a permanent spot in the organization of many companies.

Since the late 1930's, auto manufacturers have been the most spectacular practitioners of the art, sometimes spending as much as $1 million to create a full-scale, driveable "idea car." But now, producers of lower-caste products such as lawn mowers, industrial trucks, and welding equipment are becoming product visionaries. Lots of hard-earned cash is being put into detailed renderings, scale models, or actual hand-made prototypes of 19?? models.

What benefits does a company hope to get out of building futuristic models? This question was put by DUN'S REVIEW to a number of executives in manufacturing companies which practice this kind of organized dreaming. Some of their answers are listed in the box at right.

The benefits to be gained depend on the type of design the company concentrates on developing. There actually are many types of futuristic designs, falling roughly into three classes:

Class 1: Highly promotional projections that the company has no present plans to produce. Often they are based on obscure or as yet undiscovered physical principles. Generally, a corps of press agents is sent out to beat the publicity drums, and an institutional advertising campaign is launched to tell the world about the company's far-sighted planning. The public and potential customers are invited to come and marvel at the new designs. But although their main purpose is to amaze and impress, these models sometimes give valuable clues to improving present products (see photo of "Miracle Kitchen").

Today's Uses for Tomorrow's Designs

Currently, futuristic designs are helping companies to:

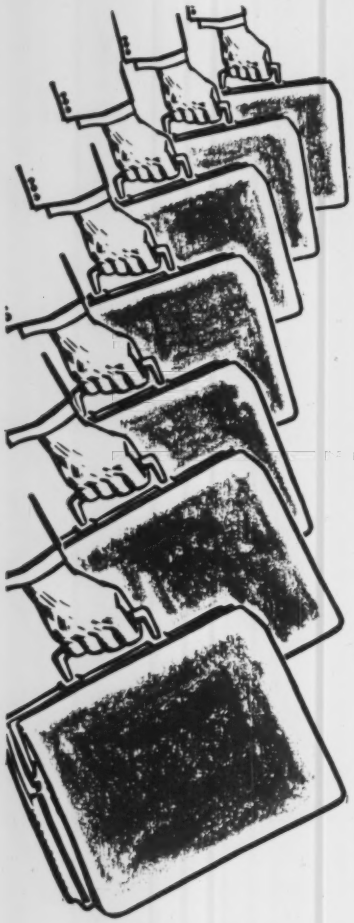
- intensify market research
- break down public resistance to radical change
- help stimulate desire for new products
- help project advanced thinking as a company asset
- stimulate design staff
- stimulate top-management in long-range thinking
- build morale of all employees
- develop new uses for raw materials products

Class 2: Pre-prototypes that will have an important influence on products the company may be turning out shortly. These designs are usually kept under wraps and only shown to company officials or favored customers.

A few companies, however, have thrown caution to the wind and put their pre-prototypes on public display. Hundreds of thousands see the annual General Motors Corp. "Motorama" and the Hotpoint Company's "Custom Trending" exhibits. These two progressive companies have been willing to risk the possible losses from copying by competitors for the sake of the valuable market research results gained by wide exposure. The promotional profits in showing pre-prototypes also are enormous, although some customers are disappointed when the pre-prototypes can't be bought immediately.

The Hotpoint Company of Chicago has even hired a crew of interviewers to poll the housewives who have been invited to operate its pre-prototypes at state fairs. Their reaction to a futuristic gas range that folds up like a Murphy bed has been so favorable that Hotpoint has put it into limited production.

Hotpoint tries to confuse its competitors by displaying a number of pre-prototypes and letting the competition guess which ones turn out to be winners with the housewives. The



Let Us "Brief" You on Texas

It's difficult for a Texan to be brief because the state offers so much to industry . . . but TP&L's industrial consultants are ready and willing to brief you on all subjects pertaining to plant location problems. . . . in your *own* office . . . anytime . . . any place. No obligation . . . Strictly confidential.

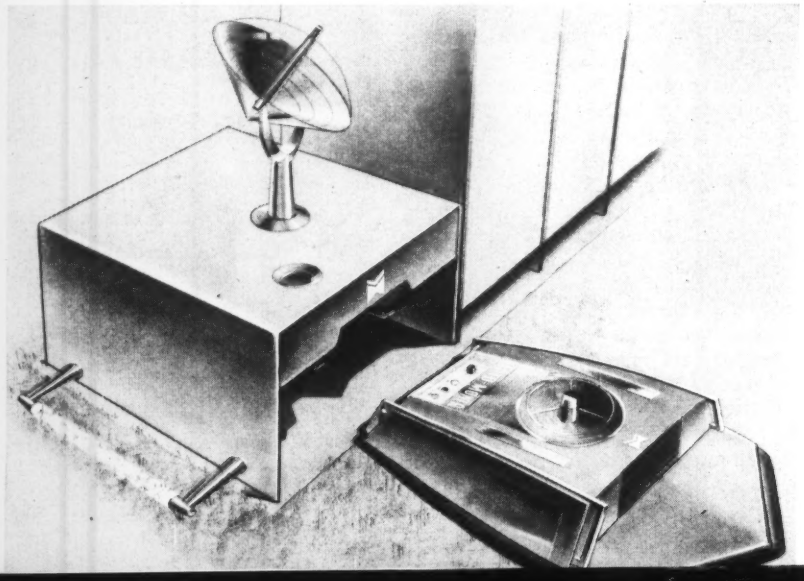
Write, wire or phone J. D. Eppright, Director Industrial Development Division, for an appointment.

TEXAS POWER and LIGHT COMPANY
DALLAS

CAPITALIST PROPAGANDA: *This $150,000 "Miracle Kitchen" of the future was built by RCA Whirlpool for display this month in Moscow. From the control panel, the housewife directs the automatic scrub-mop-polisher. A serving cart can roll over to the table and load, scrape, wash, and dry dishes. The shape of the automatic cleaner has been so well received by housewives that it has been adapted to the company's current vacuum cleaner.*

FUTURISTIC WELDING *machines displayed by A. O. Smith Corp., Milwaukee, were the hit of a recent trade show. Billed as "blue sky," the wooden mock-ups nevertheless generated many inquiries on delivery dates.*

SUN-POWERED: *All the know-how necessary to construct this 1969 automatic lawn mower is available, but Moto-Mower engineers admit that there isn't much of a market at the possible price. Batteries in the appliance are charged by solar power caught in the antenna-like unit which follows the sun. When the photo-electric cells in the lower left corner indicate the grass is tall enough, the mower leaves its little garage and moves across the lawn in a pre-determined pattern recorded on a tiny magnetic tape unit in the mower. The design is part of a program celebrating the company's 40th year in business.*



only people who see the results of the "structured interviews," of course, are Hotpoint officials. In addition, Hotpoint designers incorporate a few phony features in some models to throw their rivals off the scent. (Sometimes the housewives surprise everyone by clamoring for the decoy features.)

Although working models of preprototypes are much more expensive to make than drawings, scale models or mock-ups, Douglas W. Quirk, Hotpoint's manager of advanced product planning, believes that this is the only way to be sure of customer reaction. The $500,000 that Hotpoint sinks into its futuristic program each year is small compared to the millions that might be lost turning out products customers wouldn't like.

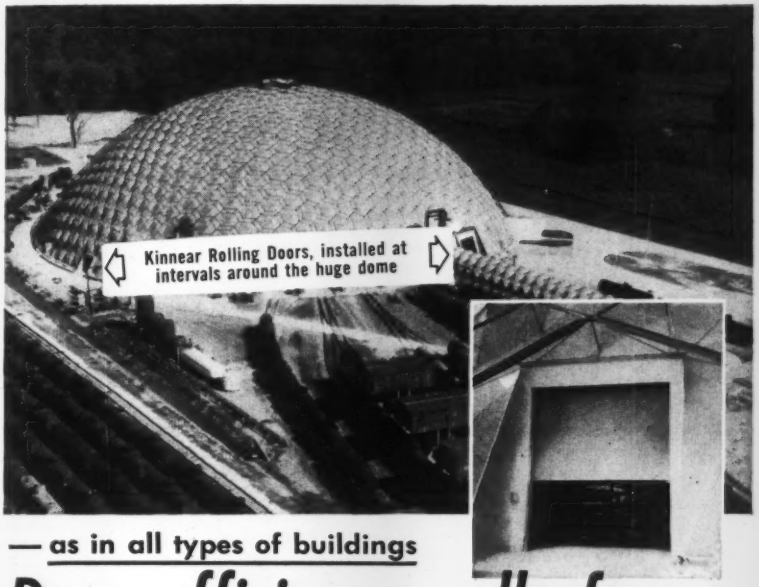
Suppliers seek new markets

Class 3: Designs of end products that use a supplier's materials and components. Under the "Forecast" program sponsored by the Aluminum Company of America, for instance, designers are commissioned to dream up products using aluminum. Alcoa then displays the product models at exhibits and through advertising. Customers now are beginning to show interest in producing some of the Forecast designs. Similarly, the McCullough Corp., Los Angeles, is publicizing its futuristic outboard motorboats. Another outboard motor producer, Evinrude Corp., Milwaukee, is making and displaying futuristic houseboats. It has offered one of the outboard-powered houseboats as the grand prize in a widely advertised national contest.

Capital goods manufacturers, too, sometimes reap rich rewards from organized dreaming, as illustrated by the futuristic fling taken at A. O. Smith Corp., Milwaukee. A little more than a year ago, the management of the Welding Products Division decided to give its technical staff this mental exercise: dream up welding equipment based on conceivable but not yet available power sources.

After a gestation period of nine months, the engineers came up with a group of "dream" welders. The two most conservative were the "Stellarweld," a self-contained welder powered by a thermonuclear source utilizing deuterium, and the "Starfire" welding gun, which would use yet-undiscovered high energy fuels to pro-

Even in this ultra-modern geodesic dome—



— as in all types of buildings

Door efficiency calls for Kinnear Rolling Doors

With no internal supports of any kind, *yet big enough to enclose a football field,* this giant geodesic dome houses a railroad car repair shop of the Union Tank Car Co., in Baton Rouge, La.

And here, as in all types of buildings, Kinnear Rolling Doors provide up-to-the-minute door efficiency.

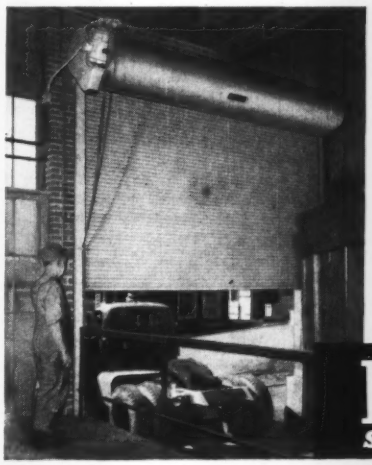
They open straight upward and clear the entire doorway, coiling compactly above the opening. Surrounding floor, wall and overhead space, *inside and outside the building* is always fully usable whether the doors are opened, closed, or in action. This promotes full use of hoist, crane, conveyor, and lift-truck equipment.

Their *continuous all-metal curtain* gives extra protection against intruders, vandals, troublemakers, wind, weather, and fire.

Every Kinnear Door is *Registered.* Full details of all parts are kept permanently in Kinnear's fireproof vaults. Parts are always replaceable. Your Kinnear doors will never be "orphans".

For maximum durability Kinnear's special hot-dip galvanizing coats the entire curtain with a full *1.25 oz. of pure zinc per square foot of metal* (ASTM standards).

Kinnear Rolling Doors are built any size, for old or new buildings, with motor, manual or mechanical operation. Write for information.



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KINNEAR ROLLING DOORS
Saving Ways in Doorways

in TEXTILES...

no other type of container handles materials so surely... or so gently!

Kennett Receptacles are unsurpassed for safe, sure, clatter-free handling of delicate yarns, fabrics and finished garments. They're made of National Vulcanized Fibre, a material amazingly light, tough, smooth, durable.

If you don't know these standbys of the textile field, it will pay you to check into them now (whatever your materials handling problem). Kennett Receptacles are made of National Vulcanized Fibre . . . not a paper, but a chemically-made fibre that is one of the strongest materials per unit of weight that ever went into a container.

Kennett Receptacles can be slammed, banged, stacked, knocked and abused in mills, warehouses, stores, stockrooms and on production lines and they'll come back for more. Vulcanized Fibre won't split, crack, dent, crush, crumple, blister or rust. It's strong, yet so amazingly sleek, resilient and shock-absorbing that Kennett Receptacles are the choice for safe handling of delicate materials, components and products in almost every industry.

There is a full line of sizes and types: roving cans, trays, tote boxes, barrels, cases and multi-purpose trucks available, even in a fire-resistant fibre if you wish. Or, name your special requirement and Kennett can provide it.

Write direct to Dept. I-7 today for our comprehensive booklet. If you'll name the use you have in mind, we'll be glad to tell you specifically how we can help.

NATIONAL VULCANIZED FIBRE CO., Wilmington 99, Del.

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duce high temperatures in oxygen-free space.

Non-working models displayed at a welding show last April attracted huge crowds. A. O. Smith officials claim that the $15,000 spent on conceiving and building the wooden models paid triple dividends in prestige, publicity, and stimulation to company designers. Incidentally, actual costs were charged to advertising.

Clark Equipment Company, Buchanan, Mich., had some futuristic industrial trucks drawn up for an entirely different reason. Harley J. Earl, recently retired vice president in charge of styling for General Motors, styled the enormous materials handlers primarily to stimulate top management thinking about the direction of company growth.

For manufacturers who have no visionaries on the payroll, or who don't want to distract their designers from practical pursuits, there are plenty of industrial designers available to do "contract dreaming." They work on a fixed-fee or retainer basis. Rates per man run about the same as for management consultants—from $100 to $200 a day.

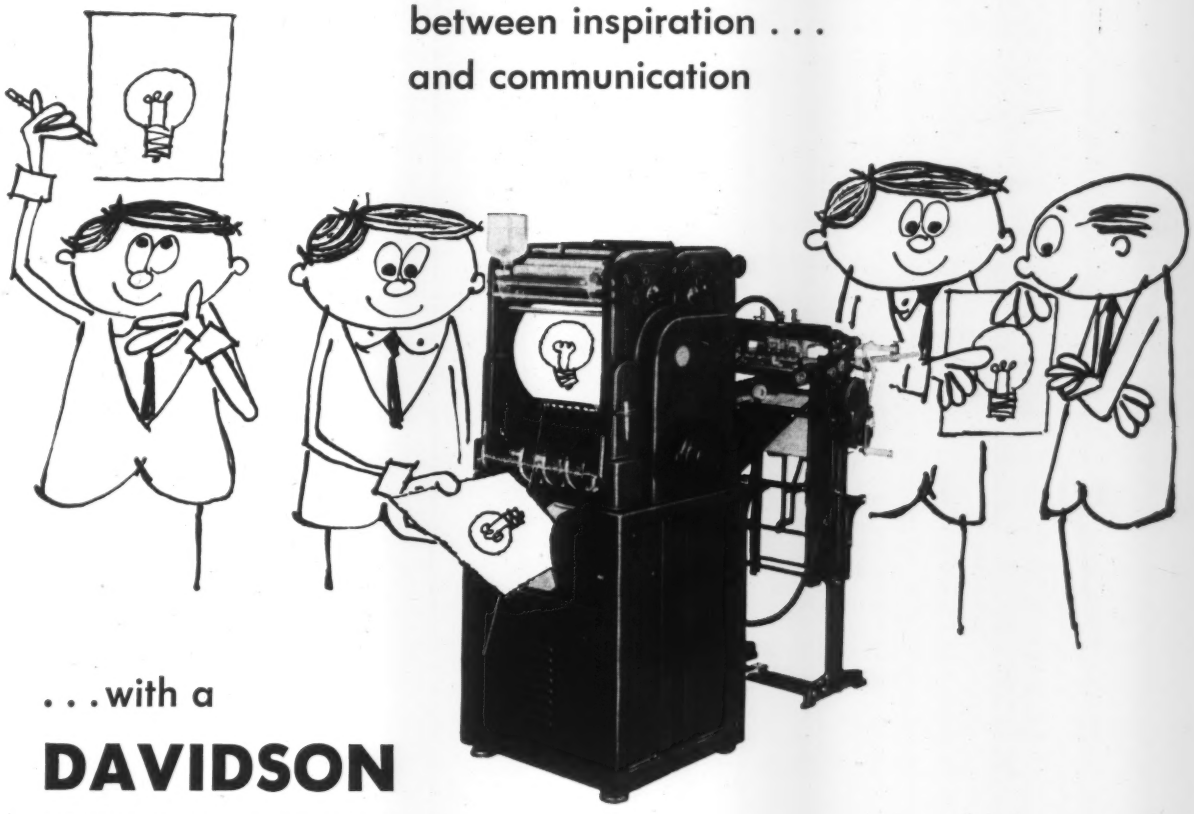
Like contract researchers, free-lance industrial designers offer a company the advantages of specialized experience, fresh thinking, and no built-in inhibitions. Because they work for more than one company, industrial designers act as a clearing house for new design ideas, claims Monte Ferar of Sundberg-Ferar, Detroit, who designed RCA's "Miracle Kitchen."

Shapes of things to come

"Blue Sky" designs are helping to provide the outer clothes—and some of the inner guts, too—for the remarkable machines that will transform homes, farms, offices, factories, and transportation in the future.

The success so many companies are having with futuristic designs doesn't mean, however, that every one can stake a claim on "Cloud 9" with the same results. For a manufacturer who values his reputation as a dependable, conservative producer, and whose designers aren't given to flights of fancy, a sudden spurt into the wild blue yonder might evoke more smirks than sales. But for a growing, promotion-minded company, building, displaying, and eventually commercializing futuristic models may add the spice of showmanship that will sharpen the appetite of the customer. —M.M.

Only a matter of minutes . . . between inspiration . . . and communication



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Capital Views & Previews

Majority Leader Lyndon Johnson tells why he believes . . .

Bipartisanship Can Beat Inflation

PAUL WOOTON

AN AVOWED foe of inflation, unbalanced budgets, and excessive taxes, Sen. Lyndon B. Johnson, majority leader of the Democratic-controlled Senate, rejects the "spendthrift" label that has been pinned on his party.

"Neither party has a monopoly on the desire for fiscal sanity," the Texas Democrat told DUN'S REVIEW recently. "Surely no one feels more keenly than I do about the dangers of inflation. The cooperation of Federal, state, and local governments and the public is required to combat it. And combat it we must, for economic strength is as vital as military strength."

Inflation, the Senator says, "presses on the business man faced with mounting costs. It presses on the farmer who has to pay more for what he buys and on the working man whose paycheck buys less. Nobody benefits but the speculators."

Because of his belief that "bold and imaginative" action is imperative, Johnson was instrumental in launching a full-scale study of the American economy by the Joint Economic Committee of the Congress.

"Two-thirds of the world's people are either against us or uncommitted," the Senator points out. "The Communists are tightening their hold on what they have and are striving to line up the uncommitted. The free enterprise system is at stake."

Time for counterattack

The fact that our exports are down nearly 20 per cent indicates, Johnson feels, that the economic phase of the cold war is going against us.

"Business men and all Americans must gird themselves for this fight," he says. "The Communists are seeking to tie the rest of the world to Russian trade patterns. Soviet missions honeycomb the world. They are everywhere with books, schools, medicines, food, clothing, housing, and loans at 2 per cent.

"Our Government must borrow the 'can-do' spirit of the American business man who has made the American economy the envy of the world. Business men have a deep and abiding interest in a sound economy —an interest which I share and one with which I sympathize."

Lyndon B. Johnson

Although he thinks there is a pressing need for a more realistic tax code, the majority leader sees no prospect that any major revisions in tax legislation will be made at this session of Congress. However, the

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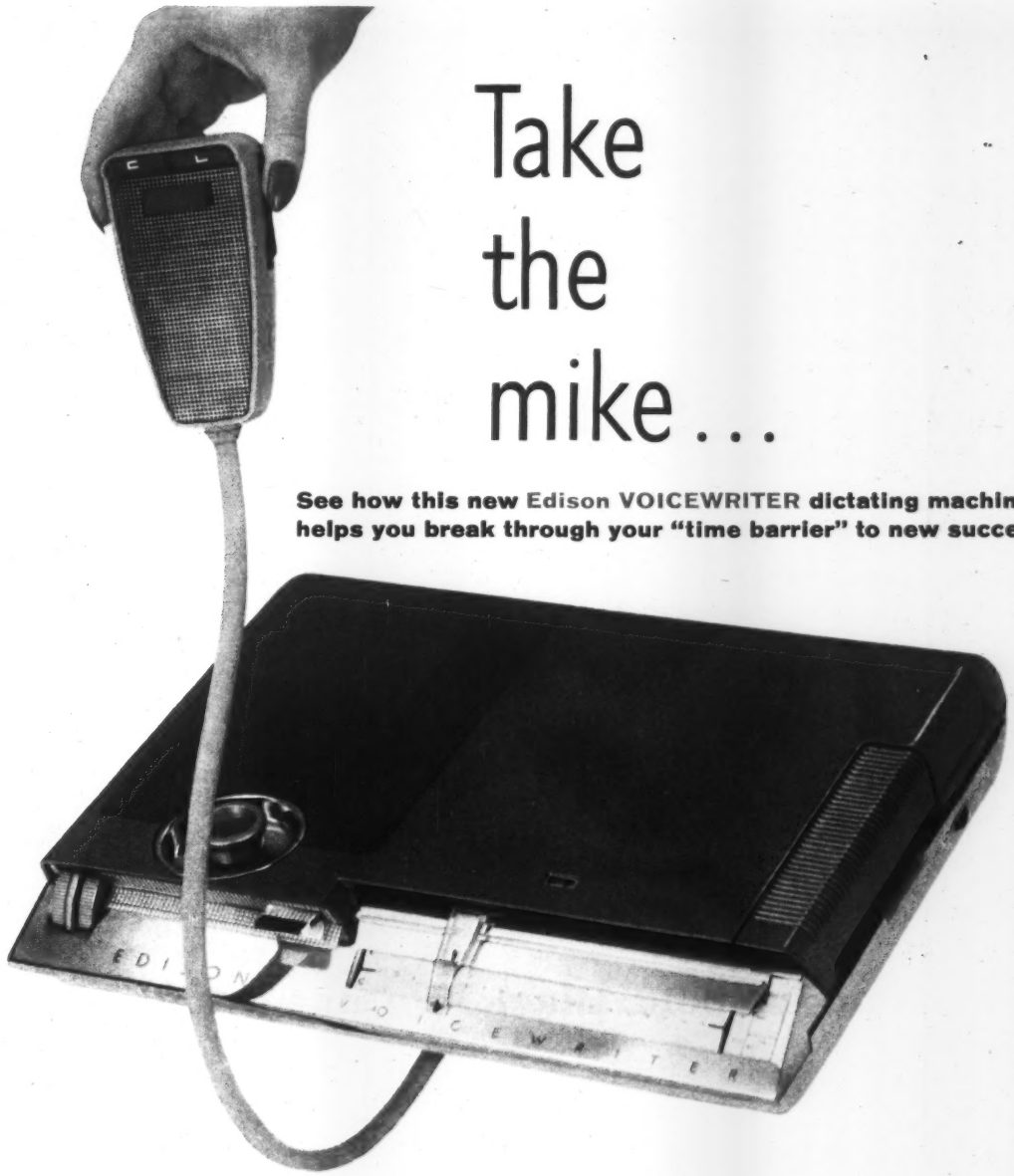

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CRAFTED IN THE **HEART** OF THE BLACK WALNUT REGION

hearings which the tax-writing House Ways and Means Committee will open next November will be the beginning of an exhaustive study of the whole internal revenue code. Johnson is confident the study will result in reductions both in taxes and the public debt and will plug up some costly loopholes. Johnson personally favors reducing excise taxes by increasing the basic exemption.

The people want action

The Senator, an experienced observer of the domestic scene, says, "Everywhere I have gone the people are on the march. Our country is heading into one of the great expansions of history. A century of opportunity is unfolding before us."

Nevertheless, faith in progress cannot be based on confident predictions alone. "Confidence," he asserts, "grows out of action. If monetary and fiscal matters are not handled effectively by the party in power, the voters will do something about it at the next election."

Many political observers will not be greatly surprised if, when the time comes for the voters to decide who is going to move into the White House in 1961, Lyndon Johnson's name should head the Democratic slate. Johnson himself refuses to speculate either about his personal future or his party's chances at the polls.

"If one party wins an overwhelming victory," he says, "there always are predictions that the other party is headed for extinction. The fact is that neither of our two parties is headed for destruction. The Congress has a mandate, but it is not a mandate to divide and destroy. Neither is it a mandate to use precious time campaigning for the next election.

"It is the job of those who have been elected to the Congress to transact the people's business. We recognize that the people elected our President for the term which does not end until 1961. The President is entitled to cooperation. A nation cannot operate in the field of foreign affairs and defense when it speaks with two voices. The 1960 election will take care of itself in 1960. Meanwhile, there is much work to be done and many hard problems to solve.

"Tomorrow must be better than today," the Senator declares. "Partisan differences cannot be allowed to interfere with the onward rush of the economy." END

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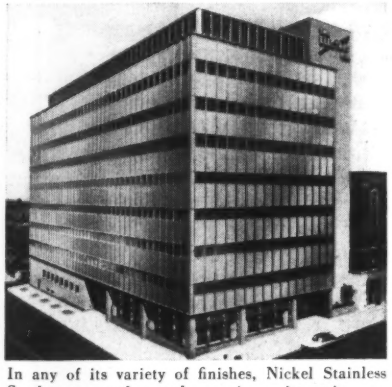

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Inside Industry

- ***New technological headache: will it work?***
- ***Annual contracts help trim down purchasing costs.***
- ***A self-help plan for technical personnel.***

The Reliability Barrier

To meet the growing demands for high product reliability, companies are spending increasing amounts of money these days for special talents and equipment. In some cases, they're even making some changes on the organization chart.

Tougher operating environments for both military and non-military equipment have raised reliability from a concept to a branch of engineering. Higher speed and stress to be endured by smaller and smaller parts are the general rule. Unusual situations such as nuclear bombardment or extremes of temperature add to the environmental problems in many classes of equipment.

The most extreme environments and specifications are encountered in the missile field, of course, but reliability requirements for peacetime equipment also are getting stiffer.

Most of industry's counter efforts take the form of separate "reliability" functions superimposed on design and quality control departments. Design departments are failing to solve the reliability problem, because their usual approach—adding parts—is just the opposite of what is needed. When parts are added to a piece of equipment, there are just that many more opportunities for something to fail. And the unreliability factor skyrockets as the number of parts is increased. (This is the basis of a recent plea by Dr. Theodore von Karman, chief scientific advisor to NATO, that performance requirements for our missiles be lowered in order to reduce their complexity and thus raise their reliability.)

To solve its special reliability problems, the Leach Corp., Los Angeles, has taken the unusual step of setting up a "Production Reliability Center." Other companies are trying to solve the problem by hiring scarce "reliability engineers," a new breed of specialists.

The Georgia Division of the Lockheed Aircraft Corp. has actually designated a "director of reliability" who is responsible for improving the reliability of the company's products.

The military, to help solve its special needs, spells out reliability specifications in defense contracts. This practice is likely to spread to industries where reliability is becoming a major concern.

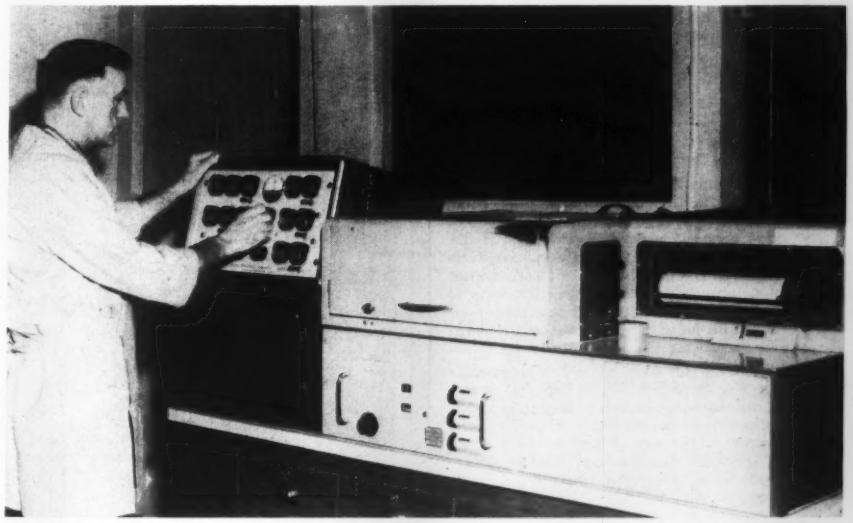
Failings in reliability, which take the form of degradation in performance, or, worse still, complete breakdown of the equipment, are part of the price we pay for technological advance. This price will surely continue to rise—a kind of non-monetary inflation.

Purchasing on Contract

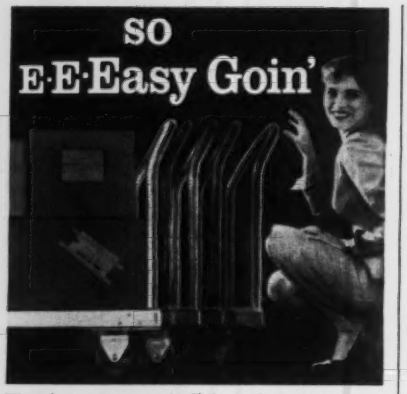
Looking for new ways to cut purchasing costs and, at the same time, insure adequate stocks of spare parts, American Viscose Corporation has come up with a new approach in purchasing—annual contracts with selected local suppliers. In the few months that the new system has been in operation, it has paid off in:

- Reduced inventory of spare parts at American Viscose plants.
- Much time saved by purchasing executives who deal only with salesmen from contracted distributors.
- Better service from distributors who gain greater familiarity with the needs of American Viscose.
- Greatly reduced paperwork.
- Elimination of any suspicion of malpractice on the part of the purchasing department.

Obviously, the success of the system depends on the selection of the best distributor of the highest quality parts in the area. On the basis of past experience, American Viscose officials believe that the distributors who handle the top lines are generally best on other counts as well. Before making their choices, company officials



DELIVERY TIME *on colored plastic moulding compounds is sharply reduced by means of a color-matching electronics set-up at Monsanto Chemical Company, Springfield, Mass. The General Electric Spectrophotometer at the right checks the production sample and assigns mathematical values to its chromatic values. These are compared with the same values assigned to customer's sample by the Davidson and Hemmendinger computer at the left. This procedure eliminates time-consuming customer verification and approval of trial matches, provides a fast, accurate, and objective evaluation of the match.*



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G127—The Modern Office: Across the nation companies are revamping their office operations, streamlining paperwork and realizing new profits. This 28 page, six part extra emphasis feature discusses the big changes that are taking place, mechanization, office plans and procedures, better looking offices, how new equipment produces faster information, manning the office.

G128—Integrating Your Transportation For Profit: A 40 page special report to management which pinpoints what is being done in the transportation industry to take advantage of new developments in physical distribution. Discussed are peek-a-boo gondolas, piggyback, containerization, ways to stretch the transportation dollar, new materials handling techniques, private trucking operations.

G106—Future Executives—Handle with Care!, William B. Given, Jr. No company asset is more precious than its management timber. A distinguished industrialist tells why—and what we can do to protect it.

make field trips to local top-line distributors and take bids on anticipated volume.

The contracts that are signed with the distributors resemble "letters of intent." They do not bind American Viscose, but make the distributor fully responsible for supplying certain lines of parts. Releases of parts against the contract are made by the local parts storekeeper.

The new system does not apply to purchases of raw materials or parts for machines specially made to American Viscose standards.

If this new purchasing technique were to gain many new adherents, it would, of course, have repercussions among suppliers. The inevitable effect would be the downgrading of the distributors' local salesmen and increased reliance on advertising and promotion of the supplier company's reputation.

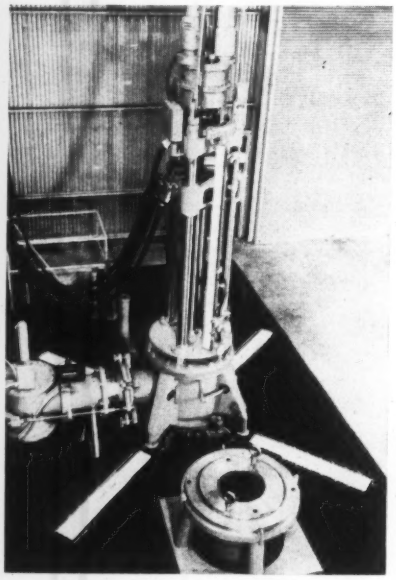
Steps Toward Success

A sharp 11 per cent drop in enrollment in the nation's engineering colleges this year is a fresh reminder to industry of the pressing need to step up the productivity of those young men who do choose engineering as a career.

As a guide to industry, Prof. John W. Riegel of the University of Michigan has developed seven steps for promoting the self-development of technical personnel. The rules, based on a survey of practices at leading manufacturing companies, are:

- Provide for a written semi-annual or annual progress report in which the individual can summarize the work he has completed, state his goals for the coming period, and indicate what experience he thinks he needs to improve his abilities and qualifications.
- Have his immediate superior and one or two other senior personnel familiar with his work review his background and achievements and select types of experience which would be beneficial to him.
- Have his immediate superior discuss his progress and ideas for self-development with him. The individual, with guidance from his superior, should formulate a feasible program which he will feel responsible for carrying out.
- Give research and development personnel a chance to become familiar with operating conditions and personnel and to see how their ideas are applied elsewhere in the company.
- Assign each man a variety of long-term problems, and have him work under a series of different supervisors.
- Encourage exchange of ideas among professionals through technical department meetings, seminars, and scientific sessions.
- Help pay the costs of advanced degrees and attendance at professional meetings.

—M.M.



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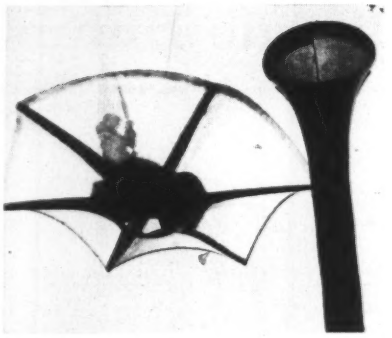

ALL-PLASTIC STRUCTURE: *A unique, essentially all-plastic building is now being assembled as part of the American Exhibition in Moscow's Sokolniki Park. Cast of a clear, translucent plastic reinforced with Owens-Corning Fibreglas, the sections are bolted together. Here, a crane is lowering the flower-like roof sections on one of the hollow columns. Rain runs down the column into the subsoil.*

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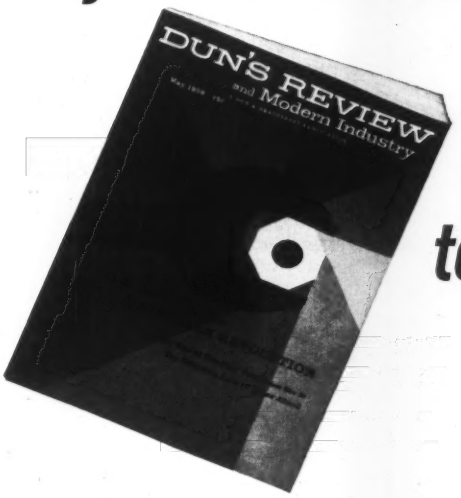

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What Small Business Really Wants

"SMALL business's growth depends upon the value of its contribution to the economy, not upon legislation, special advantage, or privilege. Just as there is nothing inherently bad about being big, there is nothing inherently sacred about being small."

Does that sound like a big business representative talking? Actually, it's a direct quote from one of the 121 presidents of relatively small industrial companies who not long ago participated in a DUN'S REVIEW survey on corporate size. The companies surveyed employ not less than 75 and not more than 150 workers. Their annual sales average $2.3 million.

No danger of extinction

The presidents of the companies polled admit small business has some serious problems but deny that its days are numbered. Although there are obviously "some capital limits which hold back small business growth, you can still survive if you have the right product," one president says. Another contends there are too many small businesses, but "the present profitless prosperity among them will force the weaker ones out during any slight drop in business." The time has come, a third president declares, for the small business man to "stop crying about how tough things are and attempt to see what is wrong with him or his company."

The biggest threat to the survival of small business, some presidents say, is its own growing habit of looking for and taking handouts.

As one man puts it:

> Unions and certain politicians have convinced many people that someone else (the Government, for instance) will take care of them, and this idea now has permeated many parts of the business world. . . . Sure, no one can go into the steel or auto business on a shoestring, but there are more varied opportunities today than ever before. In certain fields, bigness is necessary —in others, it is not. Small business admittedly is at a serious disadvantage when it comes to getting the sums of money needed for research and development in certain fields. Big business is able to finance its projects by selling securities to the public. But most money available to the small company must be repaid. Equity financing is usually impossible. However, for those who have imagination and ability and who are willing to work hard and take risks, there is as much opportunity as ever in many new and expanding fields. After all, neither Ford nor General Motors started big.

Looking at handicaps

This view reflects the strong note of independence found in most of the survey replies. But although small business management is proud and optimistic about its capacities, it is sharply critical of some of the factors it feels stunt its growth unduly. Chief among these, according to the presidents of the smaller industrial companies, is the Government. To small business, Uncle Sam is a somewhat arbitrary patriarch, granting aid with one hand and taking it back in taxes with the other. And pontificating about the sacredness of small business as he gives and takes does not endear him to those he means to help, either.

"Leave us alone," says one small business man, voicing the sentiments of many. "I don't believe the Government should be involved in financing or underwriting small or large business in any manner."

The only thing most small business wants from the Government is a better tax break. "The unfairness of the tax structure forces precarious deficit spending by prohibiting a build-up of reserves prior to expenditures," says one of the many presidents who share this view. Others propose a number of changes to ease the tax burden. "Income tax on small business should be on a sliding scale, the same as personal income tax. Taking half of a small company's profit does not leave enough for growth and lean-year protection." Or from another president, this suggestion: "Raise the present $25,000 to $100,000 at 30 per cent, provided small businesses reinvest proportionately." Some presidents of smaller companies would like bigness to carry a greater tax load.

All of those advocating tax changes point out that small business must depend primarily on itself to earn and raise money for expansion, new equipment and machinery, and product improvement. One man's comments sum it up:

> Small business taxes are a tremendous problem. For example, in 1957, which was not our best year, we paid out more than $100,000 in taxes. We could very well have used this money for research and development, to build up our inventory, enlarge our factory, or buy new machinery. To keep up with the trends and to grow, our company must increase its financial facilities, either through lower or deferred taxes on our profits or easier access to larger loans.

Many small company presidents also want a change in present depreciation allowances, which they say don't appraise costs realistically or allow for financing the expensive—and endless—fight against obsolescence.

Limited capital, other presidents say, is the principal roadblock to small business growth. "Basically," one man says, "the problem is money —money to do research and product improvement—money to pay better salaries—money to advertise and promote—money to afford *one* mistake."

Pressures from big labor

Big labor gets a healthy share of the blame for small business's troubles. Wage cost pressures, monopoly, secondary boycotts, sympathetic picketing, and pattern bargaining are only a few of the evils small business lays at the door of the big unions. The presidents say a small concern can't compete against the big company's lower-cost mass production if it is forced by pattern bargaining to pay the same wages. They are more inclined to lay this complaint on the doorstep of the unions than big business, but some blame big business for not bargaining harder.

Concentration of power, wherever it occurs, alarms some of the small business executives. As one man puts it: "The biggest danger to small business lies in the way in which big business and big labor are, by their policies, forcing everything into big-

ness, with the Government going along in the same direction."

A few small business presidents blame all their woes on big business. "It is impossible for small companies to compete with large concerns, partly because of production costs, but mostly because of the costs of advertising and sales distribution. The day of the rugged individualist is past. Even if a small company pioneers something attractive, a large corporation takes over and pushes the little guy out of the picture."

More commonly, the smaller company president criticizes some specific aspect of big business. A number of men whose companies are suppliers of component parts object to big "vertical" organizations. There are, of course, some complaints against the pricing policies of big companies. Yet, surprisingly, there are more objections to the pricing policies of other small businesses, "which are not always fully aware of their costs and figure jobs too close." There are a few advocates of administered pricing and liberalization of the antitrust laws "to allow trade associations to suggest price floors when their industry is in a depressed condition."

Trouble may begin at home

Quite a few presidents blame bad management for any and all small business problems that may arise. "Most small businesses are poorly managed," says one company head. "They compete with big business in fields where they shouldn't." Another man, somewhat apologetically, says the same thing: "I'm inclined to lay the blame for its difficulties at small business's own door—heresy, but true." Many express the belief that any small business, "properly managed, can always survive comfortably."

Some men point out that, although it often has to compete against the best executives of big companies, small business can't afford really top-caliber management. But with effort and time and an able head man, any small business can become big, these presidents say. Others believe that the real trouble is that too many small business men have been educated to run to the Government and holler for help. Business success, they contend, is mostly the reflection of executive performance — and able executives rarely run into any insurmountable troubles. —K.H.

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International Markets

- ***U.S. exports droop while international trade flourishes. Competitor nations improve trade balances.***
- ***Competitive patterns overseas plague some industries, offer others rich market opportunities.***
- ***Changing investment climate abroad limits U.S. operations in a number of key areas.***

Downward Drift in Exports

U.S. export statistics continue to make poor reading. At $3.8 billion, outbound shipments in the first quarter 1959 were roughly 6 per cent under 1958 levels—which, incidentally, were down from 1957 highs. And the April 1959 figures just in are equally discouraging. Ignoring military exports of $125 million, the month's exports eased off 4 per cent to a level of $1.475 billion. It's no wonder that forecasts for 1959 are now being adjusted to a more realistic $15-billion figure, some $2.3 billion down from earlier estimates.

But while we are selling less, we are buying more from abroad. The first quarter 1959 balance of payments is now down to $271 million. Contrast this with the $1 billion surplus reported a year ago. This may well be one of the few years in which we will wind up with a deficit trade balance.

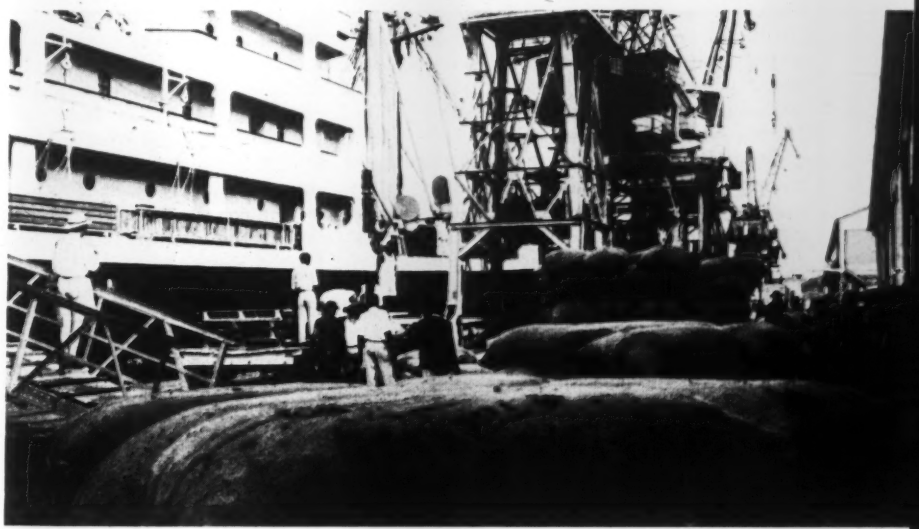
The Government's concern about this trend is pointed up by the fact that for the first time in its 26-year history the Business Advisory Council, a committee of more than 100 prominent business executives who report to the Secretary of Commerce, included on its agenda spot reports on economic conditions throughout the world. At the session where these reports were given, Juan Trippe, president of Pan American Airways, perhaps put his finger on the sensitive spot with this observation: Although our export trade accounts for some 3.5 per cent of the country's output of goods and services, some of our leading industrial competitors — the United Kingdom, Germany, Japan, and Canada—export some 15 per cent of their output.

This aggressive attitude appears to be helping other nations achieve a strengthened competitive posture, while our own is softening. Here are two such export success stories:

- French exports of manufactured goods were up 25 per cent in the first quarter 1959. At the same time, her imports of manufactured goods were down 12 per cent. As a consequence, the trade gap is narrowing and promises virtually to disappear in the coming months. During 1957 and 1958, monthly trade deficits averaged $119 million. In the first quarter of 1959, the deficit contracted to $38.5 million monthly, and in April it fell to the low level of $19 million. And if transportation and insurance costs were reconciled, since exports are quoted FOB and imports are quoted CIF, even this modest deficit would evaporate.
- British exports in the first four months of 1959 were 12 per cent above the 1958 monthly average over-all, and 26 per cent ahead in shipments to North America, especially to the United States. By April, gross exports reached their second best monthly level, climbing to $829.6 million.

In fact, Britain's economic health has improved so much that it recently relaxed its quantitative quotas on some 45 groups of imports from the United States. The new ruling in effect places virtually 90 per cent of goods from the dollar area on a quota-free basis. Its real significance, however, lies in the fact that, for several years now, these curbs have been meaningless. As British authorities point out, many of the made-in-USA products have become so uncompetitive pricewise and otherwise that the United States is losing business not only at home but in the export markets as well.

Even the so-called marginal and underdeveloped markets show a bet-



WHILE AMERICAN EXPORTS DECLINE, *underdeveloped areas like British East Africa, aided by World Bank funds, have been improving their industrial potential, building up their exports of cash crops. Here, coffee waits to be loaded at the busy port of Mombasa.*

ter record in their recent international trade interchange. For example:

- Greek exports have been rising modestly but firmly. In the ten-month period ended April 1959, exports were built up to $196 million, a gain of $1.2 million. The key export crop —at $71 million—was tobacco, which was bought most heavily by prosperous Germany. The United States was the No. 2 customer.
- Venezuela, floating on an oil economy, had a favorable trade balance of $32 million through the first five months of 1959. Compare this with the $191 million deficit in five months ended May 1958.
- British East Africa (Kenya, Tanganyika, Uganda) is building up its exports of cash crops such as sisal, cotton, and, surprisingly, coffee. Exports for 1958 totaled $363 million, up 7 per cent over 1957 levels. This area, which is as large as Western Europe but has a sparse population of 20 million, is a busy scene of trade activity. Contributing to its well-being are comparatively large-scale improvements in port and transportation facilities in which the World Bank, a realistic investor, has staked $24 million.

Of course, it may be that in economic terms we are reaching for the moon. Certainly, some hundreds, if not thousands, of U.S. companies operating from subsidiary points overseas are sharing in this export resurgence abroad. In many cases, what once would have been tallied as an export statistic on the U.S. international balance sheet now appears in the corporate operating statements of the individual companies—merged, in some cases, with domestic sales figures. To expect that direct exports would continue to climb while direct branch and subsidiary operations abroad absorb more and more of the markets may be both unreasonable and unrealistic. The census of U.S. business investments overseas now being conducted by the Office of Business Economics, U.S. Department of Commerce, may provide some answers to the riddle when the data are released next year.

Competition from Abroad

Competition lately has been developing into a threat of no mean proportions to industries looking abroad for growth opportunities. The assessments some industries and some executives make of the problems suggest a pattern for positive action:

- Design lag is an important reason for the shrinkage of U.S. exports, according to Hellmuth Walter, research director of the Worthington Corp. Walter says that foreign engineers are able to translate design ideas faster from the thinking to the blueprint stage because they have more creative freedom.
- Machine tool companies, seeing a budding recovery in their industry, are more worried than ever about competition from overseas. Recent reports indicate that in many foreign countries plants and equipment are being modernized at a rate faster than in the United States. Many U.S. concerns are buying into European toolmaking companies, but some complain that even this offers scant relief, because competition for stock or capital interest by other U.S. companies is pushing up the asking price for capital participation.
- Steel mills in Europe, Japan, and Australia have made impressive strides in modernizing production methods and streamlining processes. Coupled with the lower wage scales abroad (steel workers get roughly 75 to 90 cents an hour in Europe, 37 cents in Japan, and 99 cents in Australia, compared with $2.91 in the United States), this improved efficiency gives a nightmarish quality to the competitive woes of American steel management, which is beginning to worry not only about export but about domestic markets as well.

But here are some bright spots in this competitive picture:

- American TV film shows are enchanting a growing audience in more than 50 overseas countries. Dialogue is dubbed in the local language. Not counting the Canadian networks, some 500 overseas TV stations (300 more will be added in the near future) are presenting diverse television fare to an overseas audience that's approximately equal in size to that of the United States. Even so, some authorities estimate that only 10 per cent of the potential overseas TV audience has been tapped, so there is plenty of room for video expansion.
- And air conditioners, at least of the commercial variety, are a hot item in overseas markets today. Export business is booming, and local competition is light or nonexistent. One company, which increased sales by 100 per cent during the past five years, now considers its overseas division the one most likely to succeed in breaking sales records in the next five years. Another reports that, in the first quarter of 1959, its percentage of total industry exports doubled over the 1958 terms.

This high optimism is completely realistic. As one American executive points out, considering the experience gained by those already in the field and the resources available to them, it will take foreign competitors at least five years or more to make a dent in American sales. The potentials in Europe alone in all types of air conditioning equipment is placed at $500 million annually.

Export Pick-up on the Way?

In recent months much has been said and written on the drop of U.S. exports. To find out how individual companies have been affected, some 500 U.S. exporters were surveyed last month by INTERNATIONAL TRADE REVIEW, monthly business magazine published by the International Division of DUN & BRADSTREET, INC. A check of the first 92 replies shows that for 44 exporters, current exports are running behind last year's. Thirty others list their exports as ahead of last year's and seventeen report that exports are at the same level. As for the future, 32 exporters look for their 1959 exports to run ahead of 1958, 32 expect them to fall behind, and 28 think they will stay at the same level.

In other words, although their current export sales are lagging, these companies expect a pick-up that will enable them to match or exceed last year's marks. A complete report on the survey will appear in the July issue of INTERNATIONAL TRADE REVIEW.

Overseas Investment News

- American & Foreign Power Company, with subsidiaries in ten Latin American countries, reports its energy sales and number of customers reached record highs in 1958, even though the company transferred title to its Argentine properties to the Argentine government late in 1958.
- Procter & Gamble has pulled out of Cuba, selling its two subsidiaries

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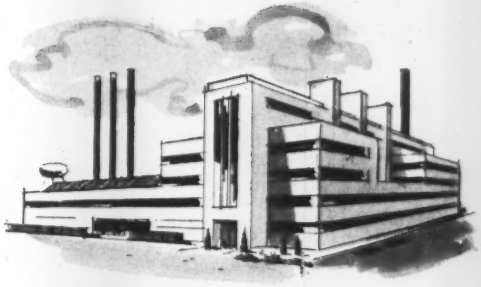

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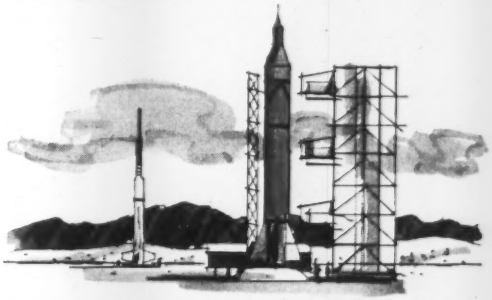

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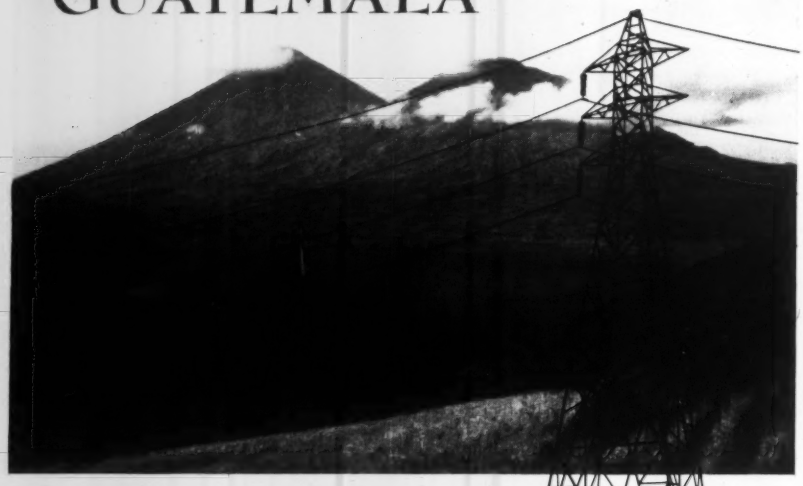

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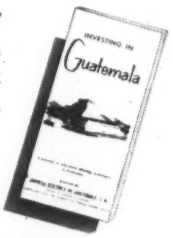

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to a group of Cuban business men. It plans, however, to continue its marketing efforts there. This still leaves P&G with Latin American subsidiaries in Mexico, Venezuela, Peru, and Panama.

- French Finance Minister Antoine Pinay has announced he intends to recommend changes in French laws to encourage larger U.S. investments. One key revision planned: easing repatriation of profits.
- Responding to the impact of heavier U.S. investments in the European Economic Community and other developing areas, the American Express Company has decided to broaden its base of services by intensifying its activities in the commercial loan field abroad. This overseas American bank has 279 offices in 34 foreign countries, all licensed to undertake commercial banking.
- Firestone Tire & Rubber Company has earmarked $15 million of the $55 million in its capital expenditures program for overseas plant expansion.

A Drain on U.S, Gold

The United Kingdom is hiking its subscription to the International Monetary Fund by 50 per cent to a level of $1.950 billion, contingent upon other member countries' increasing their quotas. Other countries in the sterling area are also planning to add to their subscriptions, and although this spells a depletion of gold reserves held by the United Kingdom, fiscal authorities are not worried. They feel that these increased contributions to the IMF will reinforce recent convertibility moves and create strong international currency reserves, further broadening the base for the flow of goods and services in international trade channels.

Other economic authorities, however, think this expanded financing of the IMF will be a further drain on U.S. gold stocks, since member countries will need to draw on these in order to fill out their contributions. It's not surprising that the price of gold has jumped to $35.145 a fine ounce in the London bullion market.

In the meantime, the outflow of gold from the United States continues. By May 6, U.S. gold stocks were down to $20.255 billion, a consequence of the adverse balance of payments reflected in the first quarter of 1959 in our international transactions. —ALEXANDER O. STANLEY

continued from page 40

union line, unless management itself remains indifferent to the problem or fails to match blue-collar wage gains with clerical salary increases. Rather bluntly, one president sums up the consensus: "If management is smart and gives the white collar and professional people the dignity to which their job entitles them, they will not be unionized. If management is as stupid as it can sometimes be, the white-collar and professional worker ought to join a union."

Though management and labor are naturally worlds apart in viewpoint and objectives, top management reveals a remarkable respect for the leaders of the opposition. Asked to rate the top men in the union they deal with, more than four in ten company presidents use the words "excellent" or "good." About as many turn in mixed verdicts. The presidents frequently own to some respect for the union chief's capability, realism, toughness, honesty, maturity, conscientiousness, or understanding of business. But they find that these qualities are too often offset by inflexibility, political opportunism, and militance.

About half the presidents believe that union leadership is improving. Another third doubt this, and others think the improvements—e.g., an increasing sense of responsibility in some unions—are canceled out by cases of growing union arrogance, corruption, and strong-arm tactics.

Are management's hands clean?

Despite certain examples of union-management connivance revealed in the McClellan committee hearings, a sizable majority of the presidents feel that management has itself not contributed extensively to corrupt labor practices. The remainder, however, think otherwise.

Aside from cases of out-and-out corruption, as one industrial president observes, "honest management has often been guilty of acquiescing to union pressure in making concessions involving matters of principle; has failed to communicate adequately with employees when union demands are not in employees' best interests or where unions misrepresent facts; and has neglected to take an active part in practical politics, particularly with respect to labor legislation. All this has

continued on page 79

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contributed to the growth of union power and has led to corruption."

Despite their occasional public attacks on unions and union demands, the confidential replies of these industrial leaders to DUN'S REVIEW, indicate that management's verdict on the organized labor movement is far more friendly than might be expected. In fact, four out of ten of them believe that, on balance, unions are a constructive force in the economy, and almost all the others feel unionism historically has served a necessary purpose, although union power has now grown to unhealthy and threatening dimensions.

Giving labor its due

Management concedes that labor pressures have resulted in humanitarian, technological, and economic gains, often in the face of management opposition. "In spite of all the exceptions that can be cited," says one man, typically, "I feel that unions are a necessary balancing social force in a highly industrialized, capitalistic society." Economic progress, many presidents reason, has been accelerated by labor: "Unions have made a definite contribution toward better and safer working conditions, reduction of hours, equalizing pay rates according to skills and job difficulties, improving the utilization of minority groups in the workforce, and the establishment of an effective machinery for resolving individual workers' grievances. In addition, because of union pressure for wage increases, management has been forced to give even greater attention to productivity and technological improvements."

But in spreading and standardizing workers' jobs, rights, and pay, the presidents overwhelmingly believe, rigidities have now been built up that are beginning to work against national economic growth. If management's fixed costs continue to increase, and its areas of decision are cumulatively narrowed down, unions will become a really destructive force, they say. Real dangers are seen, too, in the unions' growing concentration of power. Almost to a man, the presidents believe that the time has come to impose Government restraints and restrictions. Management is convinced that if unions are to continue their positive contribution to the over-all economy, the time for more responsible union leadership is here.

—KENNETH HENRY

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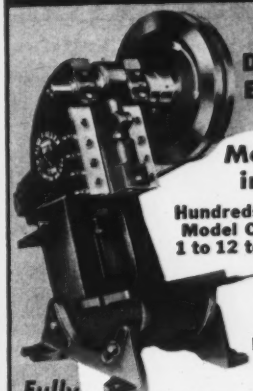

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Sales & Distribution

- ***Market concentration brings selling changes.***
- ***Company tells why it prefers older salesmen.***
- ***Survey shows prosperity is a sometime thing.***
- ***Demand for marketing directors jumps 150 per cent.***

Tougher Selling Ahead

In just the past few years, important changes have taken place in the shape of the retail market — especially changes that affect every company selling food and other products through food chains. The results of continuing surveys recently released by the A. C. Nielsen Company, marketing research specialists, show that there are now fewer retail food chains than five years ago and that these chains are doing much more business. A similar trend is reported among department store chains.

The 273 operating food chains existing back in 1953 dwindled through mergers and acquisitions to 77 by the end of 1958. And during the ten-year period from 1948 to 1958, the number of individual stores operated by these food chains dropped from 28,500 to 20,500.

At the present time, a manufacturer can expose his product to 70 per cent of the market by obtaining distribution in 44,500 of the largest food stores. Twenty years ago, it would have been necessary to make contacts with 112,000 stores—with much less concentration in ownership —to reach the same proportion of the market. Today, 77 per cent of total chain store food volume is done by 25 chain organizations.

Since fewer contacts are needed to penetrate the food store market, each sales call now is much more important than ever before. And because so much more is at stake, manufacturers are under pressure to select the best available sales personnel and to support them with top-notch training, sales aids, and precise market research information.

Also, manufacturers are under pressure as never before to come up with distinctive packages that can sell on their own. Just ten years ago, self-service stores accounted for only 25 per cent of the food market. Today the figure is 84 per cent.

Here are the specific suggestions made by top management in the Nielsen survey on how to cope with these important new developments:

- Check manufacturing site locations and transportation policies.
- Re-group sales districts in line with new distribution patterns.
- Make sure that salesmen are fully informed on buyers' problems.
- Recruit higher-caliber representatives and train present salesmen to use market research data.

THE MARKETING REVOLUTION *caused by the suburban shopping center is now making itself felt in the petroleum industry. This portable service unit for the selling of gasoline and oil is now being tested in an Oklahoma City suburban shopping center. If the new method of selling gasoline proves profitable, the American Petrofina Company plans to extend it to all parts of the nation.*

Dropping the Age Bars

In the decade ahead, industry will need many more salesmen to keep goods flowing through the marketing pipeline as fast as they move off the ever-improving production line. This is the consensus of virtually all the expert predictions now being made about the next decade. Some predictions call for an increase in the number of salesmen by 1 million in the next ten years.

But where will these new salesmen come from? For years, industry's recruiters on college campuses have found it hard to sell new graduates on careers in selling. Despite many inducements, there continues to be a serious shortage of good, qualified salesmen who can produce orders profitably.

To fill this gap, some companies are dropping the age barrier which, as a general rule, causes the salesman over 45 considerable difficulty in finding a job. In fact, surveys show about 40 per cent of all companies won't hire any past 35.

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is World Dryer Corp. of Chicago. This producer of electric warm-air hand dryers recently announced a policy of giving hiring preference to applicants who are past 50.

The decision was based on an analysis of the sales records of individual salesmen over a ten-year period. Not only were the older salesmen consistently higher producers, but in addition, they stayed with the company longer, thus reducing hiring and training expenses. And, surprisingly, they lost less time on account of illness and other reasons than their younger confreres. At the present time, about 60 per cent of the company's sales staff are past 50, and its senior salesman is 68.

According to S. Max Becker, Jr., company president, "The older salesmen have been found, on the whole, to be more persistent, less easily discouraged, and to have a calm maturity of manner that inspires confidence in customers." Becker believes that, because of their patience and persistence, older men merit consideration as salesmen in other companies. Among the older men taken on by his company were applicants with no previous sales experience. Recent surveys show, however, that 45 per cent of all U.S. companies still require experience not only in selling but in a similar service or product line.

Should this policy of hiring older men spread throughout industry, many of the over-age and still active people (3,500 reach 65 every day) who are troubled by compulsory retirement and the erosion of their savings by inflation would be able to help out—at least part-time—in the big selling job ahead.

A Rugged Ride

Some people visualize the business cycle as a roller-coaster on which industry rides to peaks of prosperity, ridges of readjustment, and depressing drops. Although this may be true for the economy as a whole, it is more likely that individual companies experience something nearer to the sensations of a Ferris wheel. For while some are enjoying rising sales, others may be struggling with declining volume.

For example, a new survey by the National Housewares Manufacturers Association of 272 manufacturers reveals considerable variation in their

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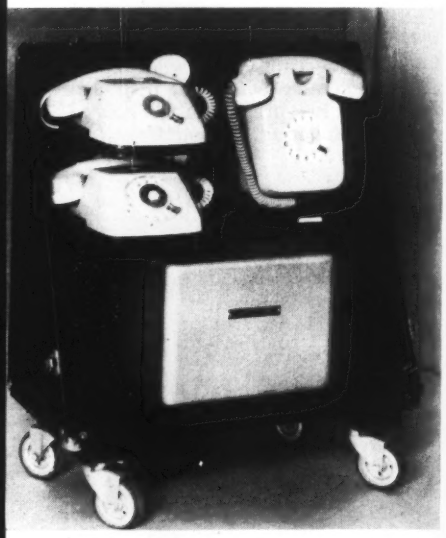
"best" years. Although 1958 was a recession year for most companies, 56 per cent of the surveyed companies reported that it was their best year in total dollar volume. Here's how the others reported their best years: 1957, 17 per cent; 1956, 10 per cent; 1955, 4 per cent; 1954, 2 per cent; 1953, 3 per cent; 1952, 1950, 1948, 1947, and 1945, 1 per cent each. Only 3 per cent look for 1959 to be their best year.

Marketing on the Go

"Director of Marketing" is a title that will appear increasingly on company organization charts in the future. A recent informal survey by Thorndike Deland Associates, consultants in executive recruitment, indicates that the demand for directors of marketing is up about 150 per cent from a year ago. Says Robert A. Huttemeyer, partner in the firm: "Last year's recession evidently taught a lot of companies to pay closer attention to their customers. Just as the day when the star salesman automatically took over as sales manager is gone, so is the day when marketing was thought of purely as a market research activity. The marketing function is now the nerve center of every well-run business." —T.K.



OFFICE EQUIPMENT *is usually sold from catalogs and brochures. But increasingly, the commercial market is taking on the characteristics of consumer marketing. The Tele-Norm Corp., New York, is applying the time-tested technique of door-to-door selling used by vacuum cleaner salesmen. Salesmen of its office communication equipment will use this carrying case to demonstrate the equipment in offices.*

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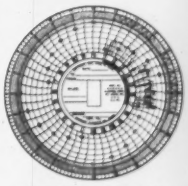
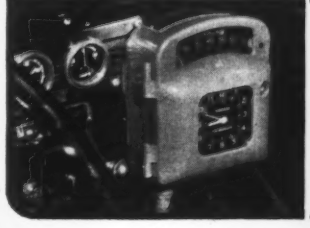


CHART TELLS ALL



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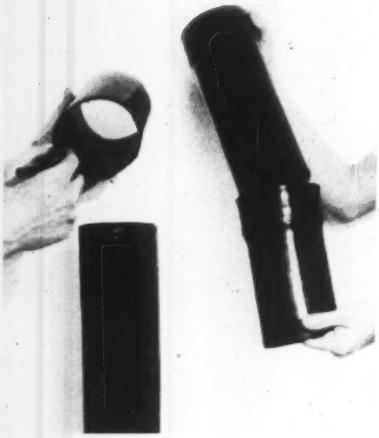

AIR GUN: Inexpensive riveting gun operates either on plant air or by in-field air compressors with a pressure range of 60 to 90 psi. Weighing less than four pounds, the gun maintains peak efficiency with an air hose connection of 60 feet. This means it can be used on jobs like curtain wall erection, air conditioning installation, and trailer construction. *"The Texan," "POP" Rivet Division, United Shoe Machinery Corp., Boston.*

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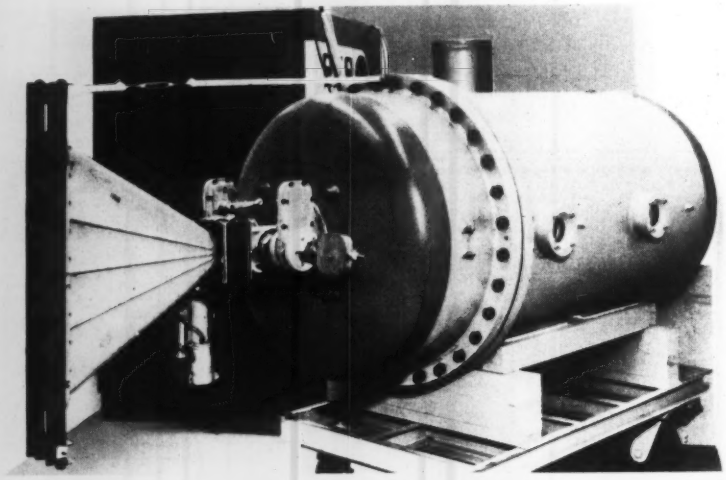
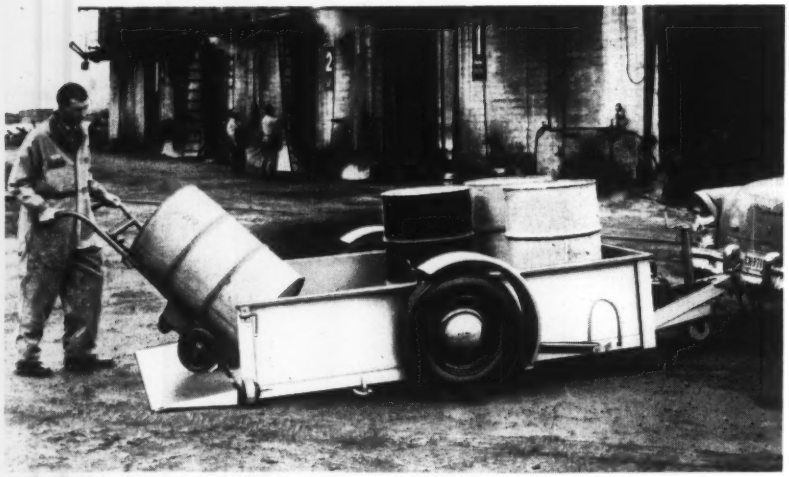
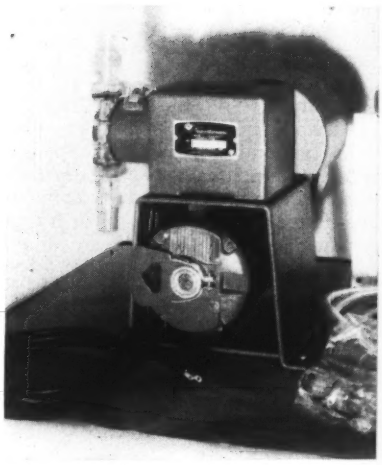
QUICK PAINTER: While air pressure has been added to riveting guns, it has been dispensed with in a versatile new paint-spraying machine. Paint is transported by a hydrocarbon compound, Chemosene, which is atomized by an electric heating element. Noiseless in operation, the equipment can spray tricky lacquers and is unaffected by weather conditions. *"Chemtronic," The Lofstrand Company, Southlawn Lane, Rockville, Md.*



LOW-COST IRRADIATION: High-energy electron accelerator features new construction design that is said to lessen materially costs of irradiation processing in the food, chemical, rubber, and plastics industries. The manufacturer states that a 15-KW unit can operate for 50 cents per kilowatt-hour, including amortization of equipment costs, making it suitable for use on low-price items. *"Dynamitron," Radiation Dynamics, Inc., Westbury, N.Y.*

UP AND DOWN: Materials handling trailer lowers to receive cargo, rises within 40 seconds to standard position for hauling. It has a load-leveling device to compensate for uneven load distribution. The tailgate drops to make a heavy-duty loading ramp. The all-steel trailer, which is rated at 2,000 pounds capacity, need not be detached for loading or unloading. *Trailevator Division, Magline, Inc., Pinconning, Mich.*





CHEMICAL FEEDER: Electrically driven proportioning pump aids in water treatment by accurately measuring out chemical additives. The largest model will proportion 36 gallons per hour with a discharge pressure of 125 psi. *"Proportioneers Chem-O-Feeder, Model 1210," B-I-F Industries, Inc., Providence 1, R.I.*

●

DOUBLE DUTY: Two-sided pressure-sensitive adhesive is now available in easily dispensable tape form. The tape comes in widths ranging from ½ inch to 54 inches. Paper backing on smaller widths has special "finger-lift" edges to facilitate removal and exposure of second side. *Kleen-Stik Products, Inc., 7300 West Wilson Ave., Chicago.*

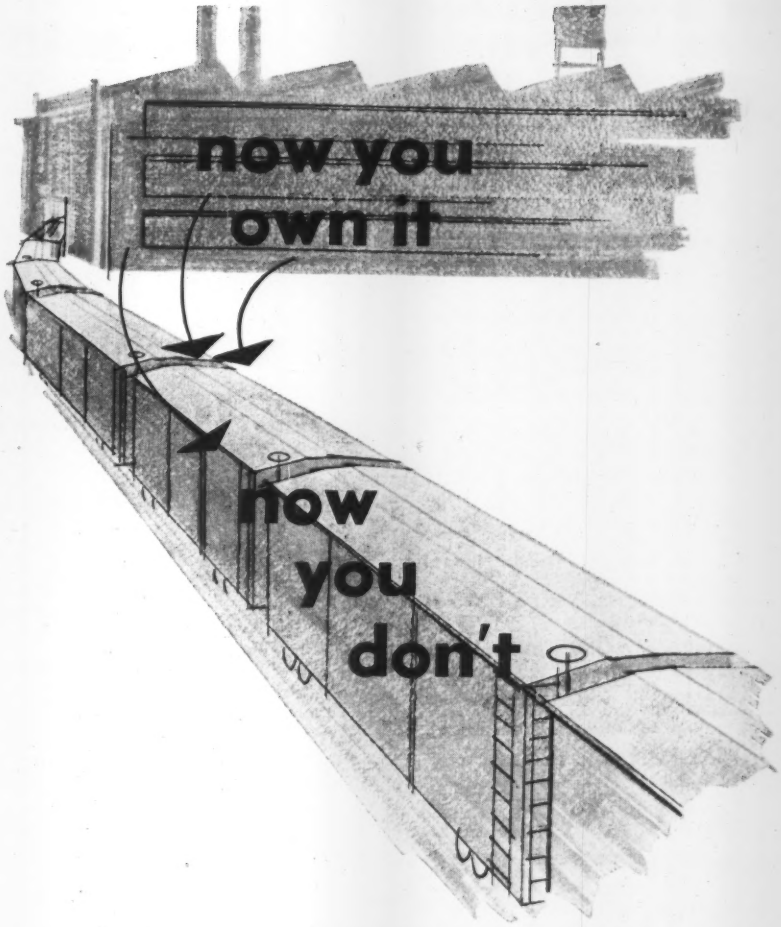
●

GERM FIGHTER: Addition of an organic zinc compound to fibers results in materials better than 99 per cent resistant to odor-forming and other bacteria. What's more, it is said to withstand 60 washings, even in near-boiling water containing detergents and bleaches. Thus, it will usually outlast the life of the garment. *"Eversan," Yardney Chemix Corp., 46 Leonard St., New York 13.*

●

PROTECTIVE COATING: Applied to raw stock, solvent- or alkali-removable coating offers corrosion resistance during storage and abrasion resistance during fabrication. It is easily removed from the finished product before surface preparation. *"Fabrifilm," Turco Products, Inc., 6135 South Central Ave., Los Angeles 1.*

more news on next page



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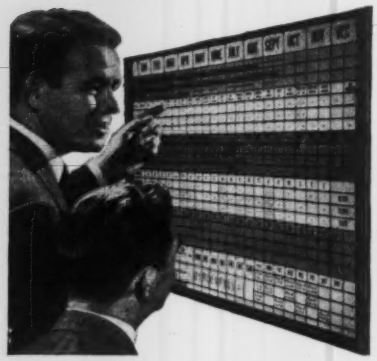

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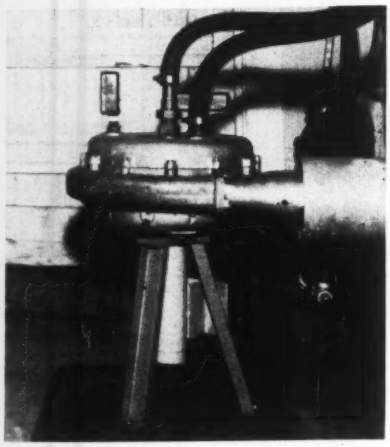
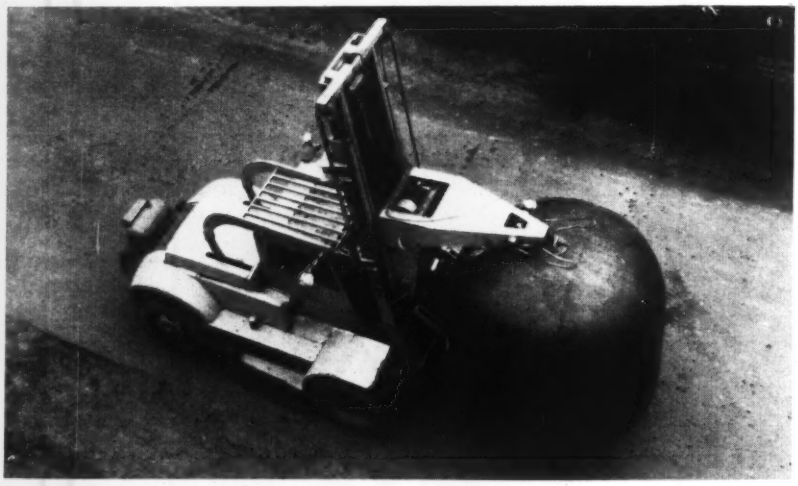


QUICK HEATER: Taking up less than 2 cubic feet of space, this steam generator employs centrifugal action and high velocity to speed heat transfer. It's said to give continuous quantities of 100-psi steam in fifteen seconds, starting with cold tap water. A fin-and-tube heat exchanger rotating the fluid at 3,600 rpm produces 300,000 BTU per hour. *Turb-O-Heat, Inc., 1133 East 35th St., Brooklyn 10, N.Y.*

GAS MEASURER: "True mass" flow-meter directly measures liquid and gas flow in pounds. The unit has a high accuracy over wide ranges of flow rate, pressure, temperature, and density without requiring additional measurements and corrections for these variables. It will also emit electrical impulses that can operate automation equipment. *Jointly developed by Instrument Department, General Electric Company, Schenectady, N.Y., and Black, Sivalls and Bryson, Inc., Kansas City, Mo.*



SPECIAL HANDLER: Increasing use of collapsible rubber containers brought about the development of this new industrial-truck boom. Designed for use with U.S. Rubber Company's "Sealdbins," the boom has a ram-type hook that fits into a ring on the top of the container. A sway brace steadies the container when in motion. The boom can handle containers with capacities ranging from 50 to 370 cubic feet. An optional hydraulic winch with cable hook handles collapsed containers. *Hyster Company, 1003 Myers St., Danville, Ill.* —R.P.

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The Reviewing Stand

The Rocky Road to Truth

Wisdom is not an inherited quality. If it were, this would be a world of insufferable bores, all knowing the answers. So each generation, aware of the happenings a millennium, a century, a generation ago, but suspicious of the ability, ethics, and judgment of its forefathers, must learn all over again.

It won't do to argue that if previous generations hadn't been so selfish, unjust, and lackadaisical, they could have anticipated a lot of the problems we are facing today.

And, perhaps, after all, it is good for us to *earn* as well as to *learn* our way through life. The pain of fire is truly understood only by the man who has been burned. We still learn more about life from sensory experience than from mental processes.

Nonetheless, one of the failings of each succeeding generation is the persistent hope of finding the royal short-cut to success. Youth has an inborn skepticism of the judgment of age. It charges the savant as well as the pedant with color blindness and is inclined to bite the inherited coin to determine the amount of alloy in the precious metal. Every basic truth must withstand the stress of error. Every scientific and moral principle must submit to the acid test of doubt.

But youth must also apply this same skepticism to the illusion of the royal short-cut. And it cannot alter principles, no matter how revolutionary our recent discoveries and inventions have been. It cannot alter the fact that there is a law of cause and effect, of risk and reward, and it must not confuse the means and the end of man's purpose in life. When youth demands greater authority, it must accept the responsibility that goes with it.

"Man's inhumanity to man" creates most of the drama in world literature, but man's streak of divinity creates the audience to applaud man's survival over his difficulties. History may be the sad record of man's inability to profit by his experience, but it is also the record of his ability to make stepping stones out of error until he gets a perspective on truth. The search for truth is a blistering and bruising pursuit, full of brain sweat and frustration, but there is no easy way.

Public Works: No Panacea

An important bit of advice on dealing with the checks and balances of our economy was offered recently by Dr. Raymond J. Saulnier, chairman of the President's Council of Economic Advisers. Dr. Saulnier is opposed to the idea that public construction is the corrective answer to a recessionary trend, and what he says makes economic as well as common sense. No public works program can get moving fast enough to offset a sudden apathy of the consumer in the marketplace. There is always a time lag between cause and effect and, as Dr. Saulnier points out, the trend can change before the building, bridge, or highway gets off the drawing board. Any program for public construction should be a long-term project, independently conceived and consummated. The taxpayer, the manufacturer, and the laborer are best served when public construction is unrelated to the crash programs advocated by economic and political opportunists.

Spotlight on World Trade

The growing importance of overseas reporting won special recognition recently when our Contributing Editor Alexander O. Stanley received the Loeb Special Achievement Award for coverage of international markets in DUN'S REVIEW. The Loeb Awards are given for excellence in business and trade reporting, and we are, of course, pleased at the honor given Mr. Stanley for his persistent drum beating for two-way international trade.

The increasing dollar investment of U.S. manufacturers in the overseas markets represents a sizable proportion of our annual business volume. Alex Stanley, month after month, has shown where sales and profit opportunities exist overseas, has coached timid manufacturers in matching wits with veteran traders in the marketplaces of the world, and has proved that the Yankee exporter can come out ahead of the game, when and if he knows the rules as well as the exceptions. —A.M.S.

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4900 JONESES

are among the 1,625,000 share owners of A.T. & T. They are men and women in all walks of life in 22,000 communities throughout the land

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Without dividends on stock and interest on bonds there would be no investors. And without investors there would be no telephone service as you know it today. The money they entrust to us goes into more and better service for you.

The distribution of the A.T. & T. dividend to so many people in 22,000 communities is in itself a factor in the over-all economy of the country. Yet the total, though considerable, is small compared to other sums that flow out from the business.

Last year, for example, the Bell System paid more than twice as much in taxes as it paid A.T. & T. share owners in dividends. It thus provided nearly a billion and a half dollars for the support of city, state and federal governments.

Wages, of course, are the biggest item. In the Bell System they are billions of dollars more than the entire net income of the business. In 1958 Bell System wages totaled over $3,700,000,000 . . . the nation's largest business payroll.

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Thousands of other jobs in other companies were made possible by our large purchases from outside sources.

Last year the Bell System's manufacturing and supply unit, the Western Electric Company, bought from more than 30,000 firms throughout the country. Nine out of ten were small businesses, each with fewer than 500 employees. This year again we expect to buy over a billion dollars worth of raw materials, parts and services from other companies.

It is natural and logical to expect big figures in a business that serves more than 55,000,000 telephones and handles over 200,000,000 calls a day.

The important thing is to relate the size of the figures to the size of the need and the job. And to realize how the very size of the business contributes to the prosperity of millions of people and the economy of the whole country.

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